TRANSLATION SERIES

Approaching Suharto's Indonesia From The Margins

SOUTHEAST ASIA PROGRAM

CORNELL UNIVERSITY

VISIT…

LANZAROTE Caliente.COM

TRANSLATION SERIES

TRANSLATION OF
CONTEMPORARY JAPANESE
SCHOLARSHIP
ON
SOUTHEAST ASIA

APPROACHING SUHARTO'S INDONESIA FROM THE MARGINS

EDITED BY TAKASHI SHIRAISHI

VOLUME IV

Southeast Asia Program
180 Uris Hall
Cornell University
Ithaca, New York 14853-7601

Project Leader
George Kahin

Participating Researcher
Takashi Shiraishi

Translation
EDS (Tokyo)

Editing and Production
Audrey Kahin
Roberta Ludgate
Dolina Millar
Jennifer Pan

Maps and Figures
Elise Gold

Published under the auspices of the Toyota Foundation

© 1994 Cornell Southeast Asia Program
ISBN 0-87727-403-7

CONTENTS

1. Used-Clothing Routes: From Japan to Indonesia 5
Yōsuke Fuke

2. The Authoritarian Bureaucratic Politics of Development: Indonesia under Suharto's New Order 21
Yoshinori Murai

3. Landless Peasant Households in Indonesia 43
Hiroyoshi Kanō

4. Dukuh: A Golkar Village 75
Takashi Shiraishi

5. The Development of Business Groups in Indonesia: 1967–1989 101
Yuri Sato

ACKNOWLEDGMENTS

This is the fourth and final volume of the series, Translation of Contemporary Japanese Scholarship on Southeast Asia. This project has been headed by Professor George McT. Kahin and funded by the Toyota Foundation. I would like to thank Ms. Yoshiko Wakayama who patiently saw the book through to publication; Profs. Hiroyoshi Kano and Yoshinori Murai who provided me with valuable intellectual assistance; Ms. Suzanne Trumbull and her colleagues at EDS (Editorial and Design Services) in Tokyo who put so much work into the translation effort; Ms. Roberta Ludgate and Dolina Millar who contributed to the publication in many and valuable ways; and above all Dr. Audrey Kahin without whose effort and guidance this book would never have been published.

1

USED-CLOTHING ROUTES: FROM JAPAN TO INDONESIA

Yōsuke Fuke

1. INTRODUCTION: THE BUTONESE, THE SEA, AND USED CLOTHING

For the past several years I have been traveling among the islands of eastern Indonesia and sailing the seas that link them.[1] Naturally enough, there is a diversified exchange of people and goods. Part of this exchange is handled by Butonese traders.

Buton *kabupaten* (regency), in the province of Southeast Sulawesi, is the home base of the Butonese.[2] It includes the island of Buton and the Tukang Besi islands: Wangiwangi, Kaledupa, Tomia, and Binongko. Its population is only about 370,000 (1986 statistics). In addition to Buton, however, Butonese are found throughout eastern Indonesia and are involved in a variety of occupations. For example, in Ambon, Maluku Province, many Butonese migrants work as clove pickers or drive *beca* (pedicabs). Many Butonese also work on plantations across the border in Sabah, Malaysia, though for the most part as illegal labor. In this paper I will focus on Butonese traders.

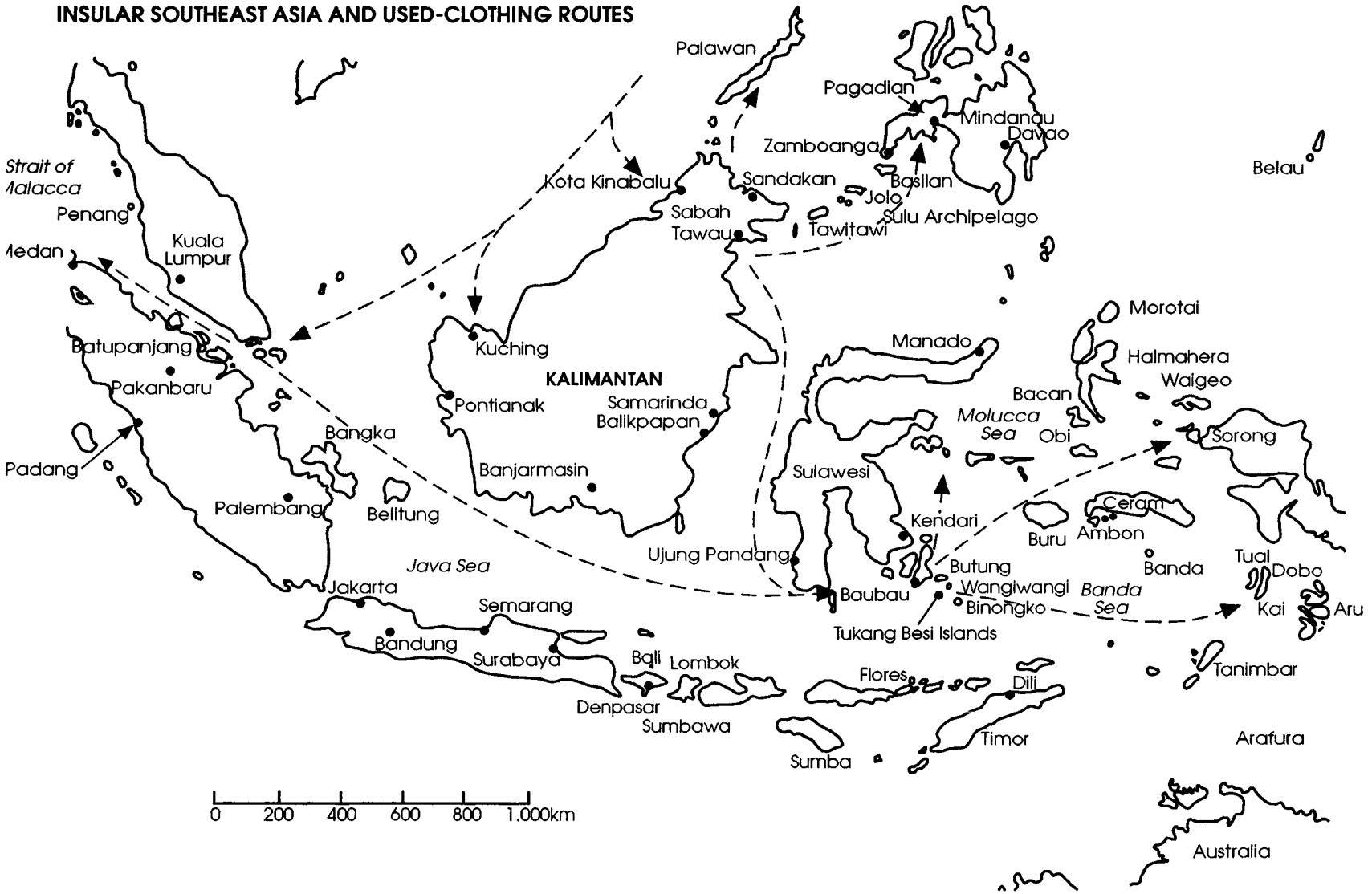
Only two occupations are found among the households of the village of Waetumo, on Wangiwangi: sailing and fishing. Sixty-five percent of the adult males

---

[1] Some of the findings of our travel team have already been published. These include Yoshiyuki Tsurumi, *Kaidō no shakaishi: Tōnan Ajia tatōkai no hitobito* [A social history of sea routes: The peoples of insular Southeast Asia] (Tokyo: Asahi Shimbunsha, 1987) and *Henkyōgaku nooto* [Notes on frontier studies] (Tokyo: Mekon, 1988); Yoshinori Murai, *Suraweshi no umibe kara: Mō hitotsu no Ajia, Taiheiyō* [From the seas of Sulawesi: Another aspect of Asia and Pacific] (Tokyo: Dōbunkan, 1987); Aiko Utsumi, "Ajia: Osutoraria o aruku" [Asia: Travels in Australia], *Aruku, miru, kiku,* nos. 257–61, 263 (July–December 1988); Yōsuke Fuke, "Mō hitotsu no kokusaika: Furugi to ebi no nagai tabi" [Another kind of internationalization: The long journey of old clothes and shrimp], *Sekai kara,* no. 33 (December 1988). For an account of our 1988 sea journey, see Yoshiyuki Tsurumi, "Arafura kai kōkaiki" [Arafura Sea log], *Aruku, miru, kiku,* no. 262 (special issue, December 1988). A two-part dialogue among members of the team has also been published: "Cahaya gō kōkaiki" [Log of the *Cahaya*], *Sekai,* September 1989, October 1989. The present paper is part of this series of findings.

[2] Before World War II Mitsubishi had a pearl culture farm on Buton; the island's connections with the Japanese go back a long way. See Shigeru Nakabayashi, "Shirochōgai no umi ni moguru: Butontō shinju yōshokuki" [Diving for pearl oysters: Pearl culture on Buton], *Aruku, miru, kiku,* no. 237 (November 1986); Yōsuke Fuke, "Shinju no michi" [Pearl routes], in *Michi no Ajiashi* [A history of Asia through routes], ed. Yoshiyuki Tsurumi and Yoshinori Murai (Tokyo: Dōbunkan, 1991).

INSULAR SOUTHEAST ASIA AND USED-CLOTHING ROUTES



are seamen; the rest are fishermen.[3] Most Butonese who visit the islands of eastern Indonesia are probably seamen engaged in trade. In any case, the sea is their workplace. The trade routes of the Butonese in eastern Indonesia, being local, are minor compared with the scheduled routes of the big motor vessels or the trade routes of Buginese wood-hulled motorized sailing vessels. But the local nature of their trade does not appear to restrict the scope of Butonese traders' activities, which often extend beyond eastern Indonesia. The goods they take to the islands of eastern Indonesia include used clothing from Japan. In fact, this is what has enriched Butonese trade. The traders say they stock up on used clothing from Japan in Singapore. The Butonese and old clothes are linked by the sea, and I will take special note of the role of the sea.

I remember being surprised on seeing secondhand clothes from Japan on the islands of eastern Indonesia and in the Sulu Archipelago of the southern Philippines. This clothing includes jackets and sportswear bearing the names of Japanese shops and high schools, as well as kindergarten smocks with Japanese children's names sewn on them. It is likely that Japanese used clothing that does not advertise its provenance by labels is even more widespread.

Secondhand clothing from Japan is found over a wide area: not only eastern Indonesia and the southern Philippines but also China, South Asia, and Africa. It is now an international commodity. Even though some countries, including Indonesia, prohibit imports of secondhand clothes, large amounts find their way there by various routes, and local people wear these garments without a second thought. One such route is that of the Butonese who transport old clothes to the islands of eastern Indonesia via Singapore. As I shall discuss later, old clothes from Japan are a recent addition. Many other goods are also conveyed to the islands of eastern Indonesia by this route, and goods from eastern Indonesia are taken to Singapore. I will concentrate chiefly on this route.

The sight of Japanese old clothes on outlying islands of Indonesia and the Philippines startled me, but also gave me a warm feeling—very different from the feeling I received from seeing small packets of Ajinomoto on the islands—probably because the route followed by old clothes suggests something of the diverse exchange and links among people in a way that the route traversed by Ajinomoto does not. In addition, at the other end of the used-clothing route are individual families in Japan.

In Japan, dealers called *yoseya* (collectors) buy used clothing from households, schools, factories, and local governments. After sorters go through the clothing, it passes into the hands of wholesale exporters. Not all the clothing bought by wholesalers is exported. Some is used for machinery wipers (some of which are exported). Very badly damaged garments are sent to Aichi Prefecture, especially the area around Okazaki, where they are made into recycled yarn and cotton for a wide variety of uses: carpeting, felt, blankets, and cotton work gloves. Even within Japan, old clothes have diverse functions.

Most of the information in this paper is based on field notes from my travels in eastern Indonesia from 1984 through 1988, interviews with used-clothing exporters

---

[3] These figures are for 1984. In the village of Wagora, on Buton, fifty kilometers east of Baubau, 75 percent of the 260 families (total population 1,863) work on boats. See *Kompas*, February 11, 1983. Butonese fishermen are also active over a wide area, ranging from the seas of eastern Indonesia to Palau. Butonese fishermen have been arrested in Palauan waters. See *Hankaku Taiheiyō Pashifika* 10, no. 3 (March 1989), p. 31.

in Nagoya and Osaka in 1989, and an interview with a used-clothing importer in Singapore. Although much remains to be learned, I wish to share my findings so far.

2. The Origins of Used-Clothing Exports

The Flow and Types of Old Clothes

Above I wrote that secondhand clothes are now an international commodity. Included are importing countries and import volumes that do not show up in the trade statistics. Table 1 shows the value and volume of secondhand clothing exported from Japan to various countries in July 1989. There are no figures for the used clothing taken to the islands of eastern Indonesia by Butonese traders. In addition, it is highly unlikely that demand for used clothing in Hong Kong and Singapore is as great as the figures in the table suggest. What happens is that secondhand clothes flow from these entrepôts to neighboring countries.

Table 1. Exports of Used Clothing, by Country, in July 1989.

	Volume (tons)	Value (million yen)
Republic of Korea	85	4.6
Hong Kong	1,130	145.9
Singapore	918	95.2
Malaysia	176	14.3
Philippines	20	1.4
India	72	4.8
Pakistan	755	53.3
Bangladesh	2,103	135.1
United States	1	1.0
Tanzania	6	0.7
Total	5,276	456.3

Source: *Shūkan peepaa to uesu*, no. 270 (August 31, 1989).

According to Japanese used-clothing exporters, the main types of garments shipped to Hong Kong are men's suits and overcoats, and from there fishing boats from Fujian Province take them to China. It may be that the fishermen barter fish for old clothes. The volume of used clothing shipped to Hong Kong in July 1989 was 1,130 tons; the following month it was almost the same, 953 tons. Apparently the Tiananmen Incident in Beijing in June that year had no impact on the used-clothing market.[4] From Singapore, meanwhile, used clothing flows to Malaysia, Indonesia, and Thailand.

The secondhand clothes (children's wear) I saw on Tawi Tawi, in the Sulu Archipelago, had come there from Singapore via Tawau, Sabah, in Malaysia. From Tawi Tawi used clothes travel northward through the Sulu Archipelago to Jolo, Zamboanga, and Pagadian.[5] Japanese used clothing is also seen on Palawan, another island in the Philippines. Apparently logs from Palawan are shipped

[4] *Shūkan peepaa to uesu*, no. 276 (October 12, 1989).

[5] Yōsuke Fuke, "Mō hitotsu no kokusaika."

illegally to Sabah, and used clothing is loaded for the return trip.[6] The clothing shipped to Palawan via Sabah may come from Singapore. But because Malaysia allows imports of used clothing, it is possible that it is exported directly to Sabah from Japan.

When used-clothing exporters talk with me, they frequently mention such provincial cities as Kota Kinabalu, Kuching, and Cebu. (They also say that pirates sometimes seize shipments of old clothes.) There is almost no mention of big cities, such as Manila and Jakarta. This is one of the salient features of used-clothing exports, perhaps because the shipments travel by sea. It would be different if air transport were used.

The Philippines prohibits imports of used clothing, but according to Table 1, twenty tons were exported in July 1989. This figure is for shipments that avoided Manila and were unloaded on Cebu. India also prohibits imports of used clothing. Japanese exporters get around this by ripping some of the men's suits in a shipment and obtaining permission to have them imported as textile fibers rather than used clothing. Large amounts of used clothing not reflected in the statistics also enter India from Bangladesh and Pakistan. These countries not only import used clothing for their domestic markets but also act as entrepôts for neighboring countries. Old clothes are sent from Bangladesh to India, Burma, Nepal, and Bhutan, and from Pakistan to Afghanistan. For a while, apparently, they were also sent to Iran. In this part of the world sweat shirts, sweaters, trousers, and blankets are the items most in demand.

Tsuneo Adachi of Adachi Sarashi Kabushiki Kaisha, a Nagoya dealer, told me an interesting story about "divinely inspired" purple blankets exported to Pakistan. He said that some years ago purple blankets were advertised in Japan as being good for health, and sold well. I do not know how efficacious these blankets were, but a couple of years later dealers began buying them up in large numbers, so apparently they were not "inspired." Most of these blankets were exported to Pakistan, and naturally some must have entered Afghanistan. Hearing this tale, I let my imagination roam. At that time there was fierce fighting in Afghanistan between *mujahedin* guerrillas and Soviet troops. I wondered if some of these "divinely inspired" purple blankets had, perhaps, fallen into the hands of the guerrillas. I am sure that their fierce fighting spirit owed nothing to purple blankets, but the blankets could have helped their cause by warding off the cold. Of course, I am just speculating, but such a scenario is not unthinkable. Apparently deep in South Asia there are people who fulfill the same role that the Butonese do in eastern Indonesia.

But I digress. Popular items of used clothing in Southeast Asia include jeans, summer children's wear, and sweat suits. According to importers in Singapore, shipments include brassieres and women's underpants, as well. In other words, secondhand underwear is also exported. Men's swimming trunks go to Pakistan. Blouses, skirts, and dresses are also common. Handkerchiefs, towels, and socks are exported, too. Interestingly, there is one type of old clothes that does not sell well in these markets: uniforms, especially railway personnel uniforms. Old clothes or no, people in these countries may have a better fashion sense than the Japanese.

Eighty-five tons of used clothing were shipped to the Republic of Korea in July 1989—not for use as clothing, however, but for use in making recycled yarn and cot-

---

[6] *Aera*, July 1, 1989, p. 50.

ton. Old clothes, cotton waste from cotton mills, and cloth remnants have been used to make recycled yarn and cotton in the vicinity of Okazaki, Aichi Prefecture, since the pre–World War II period, but South Korea seems to be developing into a strong rival.[7] Japanese exporters are now eyeing Africa and Vietnam as promising markets for used clothing, and the domestic market in used clothing is becoming ever larger. There seems no need to fear that the supply of old clothes will dwindle.

The countries into which used clothing flows even though imports are prohibited are exporters of textile products, and such exports will increase in future. Meanwhile, there are people living in these countries who need secondhand clothing. It appears that uneven economic development creates demand for exports of used clothing.

Trends in Used-Clothing Exports

The export of used clothing is a recent phenomenon. According to Shigeaki Kimura, 79 years old, who has been engaged in the trade since prewar times and is now chairman of Kayō Kabushiki Kaisha, it began in 1970, the year of the world exposition in Osaka, when some Indian merchants called on Osaka used-clothing dealers and arranged for the export of men's suits and sweaters. Exports of machinery wipers made from old clothes had been revived earlier, around 1950. Until the early 1980s exports of wipers were dominant in both volume and value (Table 2).

Table 2. Trends in Used-Clothing and Wiper Exports, 1970-1988

	Volume of used clothing (tons)	Value of used clothing (million yen)	Volume of wipers (tons)	Value of wipers (million yen)
1970	181	10	32,384	3,464
1971	375	26	34,544	3,459
1972	902	73	29,996	3,345
1973	340	23	27,938	3,233
1974	3,182	307	28,959	4,756
1975	1,720	268	23,184	3,750
1976	5,403	389	24,304	3,929
1977	6,057	768	22,580	3,866
1978	9,686	789	21,313	3,779
1979	9,644	1,096	23,424	3,845
1980	17,914	2,062	28,160	5,197
1981	18,136	2,009	26,667	4,136
1982	21,043	2,492	26,003	4,352
1983	25,773	2,838	28,026	3,795
1984	41,028	4,798	23,773	3,369
1985	46,433	5,575	20,973	2,913
1986	38,612	3,338	18,497	2,099
1987	33,970	2,870	17,946	1,971
1988	38,561	3,475	20,658	2,325

* "Wipers" refers to machinery wipers used in factories. Unlike used clothing, most wipers are exported to developed countries.

Source: *Shūkan peepaa to uesu*, no. 260 (June 15, 1989), no. 284 (December 7, 1989).

[7] *Shūkan peepaa to uesu*, no. 243 (February 9, 1989).

In 1949, when Kimura established his present company, old clothes were imported from the United States. Garments in good condition were repaired, and those in poor condition were sent to Okazaki and the city of Sakai, near Osaka. In Okazaki they were used to make recycled yarn, and in Sakai they were used to make carpeting for export.

"There's been a tremendous change," Kimura told me. In the 1950s the domestic market in used clothing was still modest. Times were not affluent enough to generate old clothes for export. In 1952, per capita consumption of textiles in Japan was a little over 5 kilograms; thirty years later, in 1982, it had more than tripled, to 16.9 kilograms.[8] These figures testify to the "tremendous change" mentioned by Kimura.

Let us examine the trends in used-clothing exports from 1970 onward, shown in Table 2. In the 1970s exports rose rapidly every year except 1975, when there was a brief slump reflecting the impact of the first oil crisis. There was more than a fifty-fold increase between the 181 tons exported in 1970 and the 9,644 tons exported in 1979. This trend continued until the mid-1980s, but from 1986 onward exports dropped off as a result of the appreciation of the yen against the dollar. Toward the end of the 1980s exports began picking up again.

The export cost per kilogram fluctuated considerably in the 1970s. In 1975, when exports dropped because of the oil crisis, the cost per kilogram was under ¥160, and the next year it halved, falling to less than ¥80. Profiting from these conditions, some Indian used-clothing importers are said to have built fine mansions from the proceeds of their trade. On the other hand, when the cost per kilogram was fluctuating between ¥110 and ¥120, or until 1986, Japanese exporters may have built mansions, too. As far as we can judge from the fluctuations in export cost per kilogram, the industry itself seems to have become consolidated in the 1980s rather than the 1970s. Since the strengthening of the yen against the dollar, the cost per kilogram has fallen from a little over ¥110 to a little over ¥80, but has not undergone the violent fluctuations seen in the 1970s. Export trends pose less of a threat to the industry than the worrisome factors of a shortage of labor and an aging work force.[9]

Used Clothing Called *Chintō*

Kimura gave me extremely interesting information about trends in the used-clothing trade before and during World War II. The second son of ten children born to a farming family in Taima, Nara Prefecture, Kimura was apprenticed at the age of fourteen to Shōda Shōten, a used-clothes dealer in Suita. Kimura and the proprietor of Shōda Shōten, also from Taima, were relatives.

At the time that Kimura was apprenticed, Shōda Shōten was already exporting used clothing to China, mainly cotton kimono and short jackets known as *atsushi* and *happi*. Because these old clothes were shipped to Qingdao, the clothing itself was called *chintō*, the Japanese pronunciation of the island's name.[10]

"In those days, old clothes really were rags," according to Kimura. But the rags were bundled up as is and exported. In China, scraps were cut from these rags. How

---

[8] "Nihon yutakasa deetabukku" [Data book on Japanese affluence], *Sekai*, special issue, January 1988, p. 140.

[9] Some dealers in the Kantō region of eastern Honshū are already employing foreign workers.

[10] Apparently the custom of calling used clothing *chintō* persisted for some time after World War II.

were the scraps used? Kimura said, "What I know for sure is that they were pasted to the bound feet of Chinese women." In other words, the scraps were used in place of shoes. They may have been used as material for shoes, as well, but I have not yet been able to verify this.

In addition to exporting used clothing to China, Shōda Shōten exported wipers to the United States and Britain. Wipers made from old clothes were being exported from Osaka to Western countries as early as the 1890s.[11] Rags for wipers were bleached in the Kanzakigawa river, along whose banks a number of used-clothes dealers, including Shōda Shōten, were clustered.

Kimura used to make the rounds of *yoseya* in the Tōhoku region of northeastern Honshū, the Hokuriku region on the Sea of Japan side of the island, and Nagano Prefecture, in central Honshū, to buy rags, and even visited *yoseya* on the smaller islands of Shikoku and Kyūshū. The rags acquired were sent to Osaka by freight train. "At that time you had to send them to Osaka to make them a salable commodity," Kimura explained.

Why were used clothes exported to Qingdao? It seems that Chinese merchants residing in *shōkan*, or "trade houses," in the Kawaguchi district of Osaka used to go to Shōda Shōten to buy old clothes. The Chinese-run *shōkan* of Kawaguchi were numbered and called "number such-and-such *shōkan*." Chinese merchants lived in these *shōkan* and were introduced to business prospects by the *shōkan*. The merchants deposited a certain amount of money with the *shōkan*. If business went well, they paid a percentage of their proceeds to the *shōkan* as a commission. Kimura remembers finding Chinese merchants easy to do business with. His comment that "you had to send them to Osaka to make them a salable commodity" was a reference to the activities of the *shōkan* and the Chinese merchants connected with them.

Along with rags for bound feet, men's loincloths and women's underskirts were exported. In China these were dyed and used as belts for robes. In the latter half of the 1920s the quality of clothing in Japan improved, and used garments of *ogura* and *shimaori* cloth were also exported to China. According to Kimura, around that time some Koreans who had come to Japan as laborers established *yoseya*, some of which eventually rose to become sorting establishments (*sembetsuya*).

I asked Kimura about the used-clothing business before Shōda Shōten began exporting to China. Apparently the proprietor's younger brother made patches from rags dyed indigo and sold them wholesale to dry-goods dealers in the Hokuriku region. At that time, in Hokuriku, dowry lists recorded the number of patches included. In other words, patches were important commodities. Farm women probably repaired clothing with these patches during the winter, when no outdoor work was possible.

Patches were sent to Hokuriku by sea. In the Edo period (1603–1868) old silk kimono and other high-quality used clothing from Kyoto and Osaka were collected in Osaka, sent on to Edo (present-day Tokyo) by merchants from Omi (present-day Shiga Prefecture), and shipped by sea to Oshū (the part of Tōhoku on the Pacific

---

[11] Naoto Kagotani, "1880 nendai no Nihon o torimaku kokusai kankyō no henka: Chūgokujin bōekishō no ugoki ni chūmoku shite" [Changes in the international conditions surrounding Japan in the 1880s, with special attention to the movements of Chinese traders], Aichi Gakusen Daigaku Keiei Kenkyūjo [Institute of Business Administration, Aichi Gakusen University], *Keiei kenkyū* 2, no. 2 (June 1989).

side of Honshū).[12] Used clothing—including patches—bound for Hokuriku and the part of Tōhoku bordering the Sea of Japan were carried by boats called *kitamaebune* that traversed the western sea route.[13] Shōda Shōten began exporting used clothing to Qingdao around the time that its business of selling patches to Hokuriku dry-goods dealers fell off. The shift from patches to *chintō* did not represent a major change for Shōda Shōten.

After that, business expanded smoothly for Shōda Shōten. By around 1937 it was also exporting old clothes to Dalian and Tianjin. But the escalation of the war in China and then Japan's involvement in World War II put an end to used-clothing exports. The "textile waste rationing regulations" of 1941 made exports impossible. Regulation of used clothing followed regulation of steel, probably because the export of wipers, especially to the West, accounted for a significant portion of used-clothing exports at the time. Kimura said that after regulation all used clothing was made into wipers for use in Japanese military industries. A company to regulate Japanese used textiles was established in Tokyo, with a branch in Osaka. Shōda Shōten was incorporated into the Osaka branch. In short, independent business became impossible. Kimura was drafted and sent to Siberia. He returned to Japan in 1947.

I found Kimura's account fascinating, but it also raised questions in my mind. For one thing, I wonder whether, in the prewar period, used clothing went to Southeast Asia as well as China. Kimura told me that not only Chinese merchants but also Japanese merchants with shops in Qingdao and Jinan used to visit Shōda Shōten and take used clothing back with them. Demand for such goods should have been strong in Southeast Asia as well as China. I also wonder about the postwar flow of used clothing. According to Kimura, the first postwar exports were to India, in 1970. Why India? Kimura speculated that this was because there were Indian merchants in Osaka's Hommachi district and perhaps the transactions were handled by them. If so, it would not be at all strange if there were also dealings with Southeast Asia through Chinese merchants. This is a question I intend to pursue.

In writing this paper I set out to consider the links between Butonese and Japanese used clothing, focusing on the role of the sea, but in the meantime I also become interested in the role of the seas around Japan in the transport to Hokuriku and Qingdao of patches and of rags used to wrap bound feet—issues not irrelevant, I believe, to the links between Butonese and old clothes.

3. The Singapore Barter Trade Center

Used clothing exported from Japan is shipped in containers from Yokohama, Nagoya, Osaka, Kōbe, Moji, and other ports. The clothing is packed in 100-kilogram bundles. Because the garments are packed as tightly as is possible without damaging them, one cannot tell by merely touching the bundles that they contain clothing.

The containers are unloaded at the computer-controlled container pier in Singapore. Eventually the used clothing, still in containers, makes its way to the warehouses of importers, where it is removed from the containers and stored, stacked in

---

[12] See, for example, Ryōtarō Shiba, *Na no hana no oki* [Off the shore where the rape flowers bloom], vols. 2, 3 (Tokyo: Bungei Shunjō, 1987).

[13] For a detailed discussion, see Toshio Kitami, *Nihon kaijō kōtsūshi no kenkyū* [A study of the history of Japanese maritime traffic] (Tokyo: Hōsei Daigaku Shuppankyoku, 1986).

piles of 100-kilogram bundles. Each pile consists of a particular type of clothing. The contents of the bundles can be identified because they are labeled on the outside in Japanese: "Children's T-shirts," "Cotton Blouses," "Sweat Suits." There are even bundles labeled "Panties." When I heard that the used clothing exported by Japanese dealers includes brassieres and panties, I found it hard to believe, but it is true. The warehouses also contain used clothing from Western countries, but the volume of Japanese clothing is larger. Apparently there is greater demand in Southeast Asia for Japanese used clothing than for Western. The importers transport the bundles of used clothing from the warehouses to the barter trade center.

The Role of the Barter Trade Center

The sequence of events up to this point has followed official channels and thus poses no problem. The problem is what happens when used clothing leaves the barter trade center and is shipped to countries that prohibit its import. Since the Indonesian government does not at this time allow the import of used clothing, it regards the activities of the Butonese traders who transport used clothing to the islands of eastern Indonesia as smuggling and takes punitive measures when it discovers shipments. For example, a large shipment of used clothing sent from the Singapore barter trade center to Medan, North Sumatra, was discovered while it was being unloaded on the shore near Medan and was burned.[14]

As this episode indicates, the traffic in used clothing is not limited to eastern Indonesia but extends to North Sumatra. Traders must have transported products from North Sumatra to Singapore to barter for used clothing. But taking such products out of Indonesia is also regarded as smuggling. The barter trade center thus plays a peculiar role. Some items clearing the center are transformed from legal products to smuggled products, while others are transformed from smuggled products to legal products. Used clothing falls into the former category.

The barter trade center is extremely convenient for Singapore, because, regardless of whether or not products are legal, they are freely traded there, generating profits. But what about the traders who take used clothing from Singapore? They can do business, thanks to the barter trade center, but if discovered by the Indonesian government they will lose their business and may even be arrested. It is easy for such traders to sail from the territorial waters of one country to another, but the fact that doing so changes the nature of the products they carry creates an awkward problem.

In the past, apparently, there were many barter trade centers in Singapore. I do not know whether the Indonesian government lodged protests with Singapore, but now there is only the one center. Probably the Indonesian government has tightened border controls, and this has hampered the activities of the Butonese and others who ship old clothes. The proximity of the barter trade center to the computer-controlled container pier is also curious. Altogether, the barter trade center represents a little-known facet of Singapore.

Products That Pass through the Barter Trade Center

Butonese are not the only Indonesians who make use of the barter trade center; others include people from Tanjungpinang and Batam, directly across from Singa-

[14] *Pikiran Rakyat*, February 9, 1989.

pore in Riau Province,[15] and the Batak of North Sumatra. They use fishing boats, wood-hulled motorized sailing vessels, and sailing vessels to transport a variety of products to and from Singapore—the fishermen of Riau in fishing boats, the Buginese of Riau and North Sumatra in wood-hulled motorized sailing vessels, and the Butonese in small (ten to twenty tons) trade sailing vessels.

The immigration officials inside the barter trade center apparently check only the movements of people. People from other countries are not allowed outside the center. Police guard the entrance all day. Only Singapore dealers with permits are allowed to enter. Unfortunately, I was not allowed inside, and had to rely on a dealer, whom I shall call "A," for my information on activities within the center. He was knowledgeable about the Butonese and islanders from Binongko. Apparently there are several dozen dealers like "A." He himself deals in used clothing and in garlic from Taiwan. According to him, there are always Indonesians in the barter trade center. Their number fluctuates seasonally, ranging from ten to five hundred people. Apparently the number swells from October to December. "A" told me that these traders stay in Singapore between a week and a month.

A partial list of the products entering the barter trade center, in order of volume, includes rattan, mangrove, lumber, fresh fish, parrots, pigeons, shells, scrap metal, tin ore, fruit, copra, shark's fins, and live tortoises. Products leaving the center include used clothing; secondhand television sets, radios, motorcycles, bicycles, and furniture; garlic; red and yellow beans; and sugar. I have learned that in 1984 rattan, parrots, and natural asphalt[16] were taken to Singapore from villages on Buton, and radios, used clothes, plastic jerrycans, and ceramic water jars called *guci* were taken back from Singapore. Some of these products are not included in the official list of products entering and leaving the barter center.

According to "A," natural asphalt was taken to Singapore until quite recently, but almost none is anymore, and *guci* have not been taken from Singapore for quite some time. Probably there has been a shift from the heavy *guci* to plastic jerrycans. In the past, boatloads of parrots were taken to Singapore, but the supply has dwindled. The price of one parrot in the barter center is 20 Singapore dollars (about ¥1,400), but the price outside is 7.5 times higher (about ¥10,000). Twenty Singapore dollars is ten days' wages for an Indonesian laborer. It is not surprising that the supply of parrots has shrunk.

The Butonese make a decent profit on this sort of trade, but the profit to Singapore dealers is even greater. They cannot expect to make as much from used clothing as from parrots, however. Sweat suits, which are popular in Southeast Asia, are exported from Japan for about ¥100 per kilogram and fetch about ¥300 a kilogram at the barter trade center. A parrot is then worth about five kilograms of clothing there.

Many of the above-listed products entering the barter trade center are from Sumatra, directly opposite Singapore: mangrove, lumber, scrap metal, tin ore (from Bangka and Belitung), fish, and fruit. The center also serves as Singapore's main

---

[15] Large amounts of mangrove charcoal from Selatpanjang, Riau, are shipped to Singapore's special port for charcoal. Charcoal is a legal export product. For a discussion of the people of Riau, see Kōichi Takatani, *Mangurōbu ni ikiru: Nettai taurin no seitaishi* [Life among the mangroves: An ecological history of tropical rain forests] (Tokyo: NHK Books, 1987).

[16] Natural asphalt has been mined at Pasarwajo, on Buton, since the time of Dutch colonial rule. During World War II the Japanese used natural asphalt from Buton to construct roads and airstrips.

fish and fruit market. Some of the copra may come from outside Sumatra; in any case, apparently the amount of copra entering Singapore has dwindled. Since shark's fins and shells are gathered in large numbers in eastern Indonesia, they may well be taken to Singapore by Butonese. The same is true of fish, though whether fish from eastern Indonesian waters are shipped to Singapore live I do not know.

4. The Activities of the Butonese of Eastern Indonesia

Sea Peddlers

In August 1988 I sailed to the island of Banggai, about 500 kilometers north of Buton. Most of the inhabitants of the village of Tinakin Laut (population 1,033), on Banggai, are Bajau, "sea gypsies" who make a living by fishing and by gathering pearl oysters and sea cucumber. I learned that Butonese visit this village to trade. Villagers told me that they come by boat in August, bringing a kind of machete called *parang* from Binongko, *guci* water jars, plastic jerrycans, and used clothing. *Parang,* made by smiths on Binongko,[17] are found throughout eastern Indonesia. *Guci,* plastic jerrycans, and used clothing are brought from Singapore.

According to one newspaper report, "When the west wind starts to blow, the trade boats from Buton and the Tukang Besi islands return. Some bring miscellaneous goods and clothing from Singapore. In this season the number of customers visiting shops in Baubau [the capital of Buton *kabupaten*] drops precipitously."[18] "Miscellaneous goods and clothing" probably refers to plastic jerrycans and used clothing. The reason that the number of customers visiting shops falls off is that crew members of the trade boats either go around peddling their wares or sell them directly from the boats, circumventing the shops, so there is no need for people to go all the way to Baubau to shop.

According to the same newspaper report, "Most of their goods are sold within Buton *kabupaten,* though some are sold in a few places in Southeast Sulawesi Province, to which Buton belongs."[19] I wonder if this is really so. It is natural that some of the goods the Butonese traders bring back with them are sold in Buton *kabupaten,* but I suspect that a considerable amount of their cargo is sold on the islands of eastern Indonesia.

In August boats from Binongko take plastic jerrycans and used clothing to the Bajau village on Banggai. Perhaps boats from Binongko visit Banggai because it has a large Butonese fishing community, as well; but there are also Butonese communities on the islands of Banda and Kai. If the boats visit villages like Tinakin Laut, where there are no Butonese, I suspect that the Butonese trade throughout eastern Indonesia. This is why I call them "sea peddlers."

Next I would like to take a look at these Butonese peddlers' trading methods. Their boats go to Tinakin Laut from Singapore via Buton. They do not dock at the port of Banggai, near the shops and markets. Perhaps this is natural, since their goods are not sold in shops and markets. Besides, if they dock at the port, they

---

[17] See Yoshinori Murai, "Kajiya rettō" [The "Blacksmith Islands"], in *Ajia e no shikaku* [Perspectives on Asia], ed. Waseda Daigaku Shakaikagaku Kenkyūjo [Institute of Social Sciences, Waseda University] (Tokyo: Waseda Daigaku Shakaikagaku Kenkyūjo, 1985).

[18] *Kompas,* February 11, 1983.

[19] Ibid.

have to receive permission from the *syahbandar* (port master) and police and have to pay a tax. So they dock at village jetties or drop anchor offshore, avoiding bothersome permits and procedures. In short, the Butonese trade directly with island villages. In this they are similar to land peddlers, who carry their wares slung on a pole or set up stalls.

Peasants who migrate from rural areas to the cities to earn money find it easy to slip into the lower reaches of urban society as peddlers.[20] Naturally, they do not register as migrants. The Butonese style of peddling from island village to island village is the same as that of peddlers who go from door to door along urban back streets. In both cases, too, a limited repertoire of goods is sold. With the Butonese, it is miscellaneous goods and old clothes. Local peddlers on land are of many types, but individuals specialize, selling *mi bakso* (noodles) or *jamu* (herbal medicine) or driving *beca*.

There are also significant differences between the two types of peddlers, however. Leaving aside the difference of operating on sea or on land, most land peddlers sell their goods or services for cash, but whether sea peddlers do so is doubtful. It is more probable that they barter miscellaneous goods and old clothes for local products to take to Singapore. They know that they can turn these products into money in Singapore, so they concentrate their efforts on the search for such products. This tendency is especially strong on the islands of eastern Indonesia. Many products from this region command high prices in the international market. I imagine that the seamen sell goods for cash when they need cash or to acquire enough money to pay for local products with cash when sellers insist. I intend to question local people more closely concerning this point.

Another difference is that land peddlers sell everyday goods or services. Of course the miscellaneous goods and old clothes that the sea peddlers sell to islanders are also familiar, everyday items. But the products that they obtain in exchange are things that have no direct connection with the islanders' daily lives. They are products that are valuable in the international market. Land peddlers cannot obtain such products through their trade.

Nevertheless, the basic structure of "peddlers' society" is the same for both groups. Land peddlers are managed by *tauke*,[21] who lend start-up funds to peasants migrating to the cities; only then can they peddle in the city. They have to pay the *tauke* a fixed percentage of their daily earnings. Since each *tauke* has a large number of peddlers working under him as "tenants," his daily income is considerable. The equivalent of the *tauke* for sea peddlers is the boat owner, or *ponggawa*. His share is one-third of the proceeds after expenses have been deducted. The rest, apparently, is divided equally among the captain and the rest of the crew.[22]

Everyone but the boat owner worries about money. I had an interesting experience during my sea journey in 1988. The captain of the boat my companions and I took brought aboard about half a dozen oil cooking stoves at Ujung Pandang. The

---

[20] See Yōsuke Fuke, "Nishi Jawa (Padarek mura) no dekasegi nōmin" [Circular migrants (from *desa* Padarek) in West Java], *Ajia kenkyū* [Asian studies] 32, nos. 3, 4 (joint issue, January 1986), pp. 1–30, and "Jawatō no mura ni kurasu" [Living in a Javanese village], *Aruku, miru, kiku*, nos. 251–56 (January–June 1988).

[21] See Fuke, "Nishi Jawa," pp. 16–17.

[22] *Kompas*, February 11, 1983. Among fishermen, the boat owner's share is the same, but the captain receives a larger share than the rest of the crew.

boat's galley was already fitted with gas burners. When we asked him what he was going to do with the oil stoves, he told us he was going to sell them to a shop on Banggai, in the hope of making a little money as a handling charge. And the ship's comprador, who was responsible for port procedures and for buying and selling cargo, obtained a case of whiskey in Ujung Pandang and sold it to a shop on Dobo, in the Aru Islands, for the same reason. Peddlers working under a *tauke* and crew members are in basically the same position.

The circumstances of both sea and land peddlers have become more difficult as the state's modernization policies have led to more stringent control. On the sea, control of boats' movements and thus of people and goods has been strengthened. I have heard that state surveillance of the seas around Singapore has been stepped up, to the consternation of Butonese seafarers. In Singapore, too, all barter transactions have been consolidated in one site. People and goods cannot move as freely across the sea as before.

The same thing is happening on land. The cities are taking in an increasing number of migrant peasants. At the same time, urban modernization is depriving them of the areas in which they have traditionally plied their trades. Peddlers of *mi bakso* and *jamu* from Solo, Central Java, have left Java altogether for eastern Indonesia. Some have moved from Manado, North Sulawesi, to the island of Bacan, Maluku, and still farther, to the island of Morotai. Sulawesi and Maluku together have only one-eighth the population of Java, so the market for peddlers is limited. Indonesian peddlers are now flowing into Malaysian cities. Since the 1970s large numbers of Indonesian laborers have been going to Malaysia to work, first as plantation laborers, then as construction workers.[23] Now Indonesian peddlers are beginning to show up in Malaysian cities.[24]

What will become of sea peddlers? Will they have to leave their boats and follow in the footsteps of land peddlers? There is a limited supply of the kinds of products they obtain in eastern Indonesia. If they take too much, the supply will run out; the dwindling supply of parrots is a case in point. It is becoming harder to do business in both Singapore and eastern Indonesia.

Old Clothes, *Guci*, and *Parang*

Whenever I visited villages on the islands of eastern Indonesia I would start wondering about the presence of Butonese. "Have the Butonese been here?" I would ask the villagers. I was hesitant to ask outright about Japanese used clothing, but did keep an eye out for old clothes that were clearly Japanese in origin.

I also focused attention on the ceramic water jars called *guci*, brought by Butonese traders from Singapore. About forty centimeters tall, these jars are glazed in quiet earth tones. I first became aware of *guci* when I visited Binongko in 1984 and saw *guci* from Singapore sitting beside the houses. Here they were used to catch rainwater. In the Bajau village of Tinakin Laut, apparently, spring water was carried to houses in plastic jerrycans and poured into *guci*. One or two *guci* could be seen outside almost all Bajau houses, which are built over the water. The *guci* in the Bajau village blended more naturally into their surroundings than did those I saw on Binongko.

---

[23] See Yōsuke Fuke, "Tōnan Ajia no rōdōryoku idō" [Labor mobility in Southeast Asia], *Shin chihei*, September 1986, pp. 82–88.

[24] See Yōsuke Fuke, "Rōdōryoku idō" [Labor mobility], *Sekai*, special issue, July 1989, p. 102.

Today, the functions of *guci* have been taken over by plastic jerrycans, though *guci* are better suited to the environment. Plastic jerrycans are already in wide use. Though they may be transported to eastern Indonesia by Butonese traders, more likely than not they have been procured within Indonesia. Plastic jerrycans are now sold in island shops, as well. *Guci,* more than plastic jerrycans, bear witness to the presence of Butonese traders.

Along with old clothes and *guci,* machetes known as *parang,* made on Binongko, are seen throughout eastern Indonesia. *Parang,* like *guci,* testify to the presence of Butonese traders. I bought a *parang* from Binongko in the town of Tual, on Kai. Coconut palms are cultivated for copra along the coasts of islands throughout eastern Indonesia. There is, I believe, a clear correlation between people who produce copra and the presence of *parang.* The Butonese traders who take *parang* to the islands of eastern Indonesia also transport copra from the islands to the factories.

Conclusion

We have progressed from the link between the Butonese and used clothing to the link between the Butonese and *guci* and *parang.* All this constitutes but one example of the variegated exchange of people and goods in eastern Indonesia.

The history of Butonese trade with Singapore goes back at least to the colonial period, long predating the addition of used clothing to the merchandise handled by Butonese. Today, their trading activities are defined by the Indonesian government as smuggling. But this has only been the case since the birth of the Indonesian government, in other words, for forty-five years or so. Before that, trade was largely free of regulation by the Dutch authorities. The way that the Butonese travel from village to village is strongly evocative of that former freedom.

In this paper I have dwelt very little on historical considerations, concentrating instead on describing the diverse nature of the actual exchange of people and goods. I did touch on historical matters when interviewing used-clothing dealers in Japan, but was unable to do so in regard to the Butonese, though I hope to remedy this in the future. (I have mentioned other tasks for the future in the body of the paper.)

Sailing among the islands of eastern Indonesia in 1988, the boat taking me from Ambon to Gorong, an island to the east of Seram, somehow ended up at Banda. Likewise, I somehow ended up following the routes of used clothing.

Acknowledgments

In the course of preparing this paper, I learned a great deal from Shigeo Akasaka of Peepaa to Uesu Sha, Tsuneo Adachi of Adachi Sarashi Kabushiki Kaisha, Shigeaki Kimura and Kiyohiro Shōda of Kayō Kabushiki Kaisha, Kenzō Kadokura of Kabushiki Kaisha Kadokura, and Mr. A of Singapore, an importer of used clothing. I am extremely grateful to them all.

This paper was originally published in Japanese under the title "Furugi no michi" [Used-clothing routes], in *Indoneshia bunka no kōzō to sono tenkai* [The structure and development of Indonesian culture], ed. Waseda Daigaku Shakaikagaku

Kenkyūjo [Institute of Social Sciences, Waseda University], Indonesia Study Group (Tokyo: Waseda Daigaku Shakaikagaku Kenkyūjo, Research Series 25, 1990), pp. 153–78.

2

THE AUTHORITARIAN BUREAUCRATIC POLITICS OF DEVELOPMENT: INDONESIA UNDER SUHARTO'S NEW ORDER

Yoshinori Murai

INTRODUCTION

W. S. Rendra's 1975 play *Kisah Perjuangan Suku Naga* includes a scene between the queen of the mythical land of Astinam and her prime minister and minister of security.[1]

> PRIME MINISTER: Your Majesty, to ensure the security of development, the people must be further put in order. Colonel Srenggi, Minister of Security, wishes to see you to put forward his plans for security. . . .
> PRIME MINISTER: We must secure and safeguard development, Your Majesty.
> COLONEL SRENGGI: As Minister of Security, I will issue a statement decreeing that to criticise development is sabotage, and that sabotage is subversion.
> PRIME MINISTER: Ah, then there will be no more opposition.
> COLONEL SRENGGI: Opposition is our enemy!
> SRI RATU: Excellent! Now we will be able to develop with ease and speed. . . .
> COLONEL SRENGGI: Those who wish to speak must remember the proper channels. Isn't that what order is? . . .
> COLONEL SRENGGI: Sacrifice and obedience are the beginnings of Progress.

The conversation above, albeit in caricatured form, symbolizes the political style of Indonesia's New Order (Orde Baru) under the leadership of President Suharto, named "Father of Development" by the DPR (Dewan Perwakilan Rakyat, or People's Representative Council). The characteristics of this political style include an authoritarian system with monarchic overtones, primary emphasis on development (and protection of the special interests this generates), priority on

[1] W. S. Rendra, *Kisah Perjuangan Suku Naga* (Yogyakarta: mimeograph, 1975), pp. 27–29. [The translation is from Rendra, *The Struggle of the Naga Tribe: A Play*, translated and introduced by Max Lane (St. Lucia, Queensland: University of Queensland Press, 1979), pp. 28-30.]

maintenance of law and order, active intervention of the armed forces in both politics and development, a bureaucratic system emphasizing law and order, and enforced loyalty and obedience from the populace.

In this paper I will undertake an empirical description of the form and function of this authoritarian bureaucratic system on the level of the *desa* (village), the smallest administrative unit in Indonesia, and of the *kecamatan* (district), the next level. In part three I will examine the way in which authoritarian bureaucratic politics is perceived on the popular level, using the satirical cartoons of G. M. Sudarta as my major source. I am well aware that in the nature of things this paper is inconclusive.

1. The Links between the Department of Internal Affairs and Villages

First I would like to look at the ways in which the central government's power is penetrating the village of C, in the *kabupaten* (regency) of Sumedang, West Java, based on my observations during two stays, in the latter half of 1975 and beginning of 1976 and in August 1979.

The village of C, on the northern edge of the Priangan region, is located along the national highway linking the cities of Cirebon and Bandung. Two rivers flow into the village, converging at its center. Although the Priangan region has many highlands, this village is only fifty to seventy meters above sea level, so the dry season is quite hot. The village economy is supported by rice farming, home-grown vegetables and mangoes, and the lumber industry, augmented by migrant labor in Bandung and Jakarta. With a population of about 3,600 (1976 statistics), the village is neither large nor small, neither rich nor poor. It is a typical Priangan *desa*, divided into six *kampung*, or hamlets.[2]

The major political event in C is probably the election of the village headman (*kepala desa* or *lurah*). The election is set up in such a way that the villagers will select a headman acceptable to the central authorities. Typically, this is done by screening candidates. It is not clear when screening began, but it probably originated as a means of weeding out Communist Party members when Suharto's New Order was established. Screening of candidates was definitely carried out at the time of the 1974 election for the village headman of C.

The village headman told me that anyone seventeen years of age or older could be a candidate, but in actuality only men of twenty-five or older were eligible, though all villagers seventeen or older could vote. In the 1974 election ten men declared their candidacy. They had to register with the *kabupaten*, after which they had to take a qualifying examination to determine whether they were fit for the office of village headman.[3] Anyone suspected of involvement in the Communist

---

[2] For a more detailed discussion of this village, see Yoshinori Murai, "Indoneshia ni okeru Bimasu keikaku to nōgyō rōdō" [The BIMAS program and agricultural labor in Indonesia], *Ajia keizai* [Developing economies] 18, nos. 6, 7 (July 1977); Yoshinori Murai, "Indoneshia no nōmin to Bimasu keikaku: Seibu Jawa, Sumedan ken no inasaku nōson o jirei to shite" [Indonesian peasants and the BIMAS program: A case study of a rice-growing village in Sumedang *kabupaten*, West Java], in *Tōnan Ajia nōson shakai kōzō no hendō* [Structural change in Southeast Asian rural society], ed. Tsutomu Takigawa (Tokyo: Ajia Keizai Kenkyūsho [Institute of Developing Economies], 1980).

[3] Applicants for the civil service in Indonesia must possess the following qualifications. They must have Indonesian citizenship; be between eighteen and forty years of age at the time of

Party coup attempt of September 30, 1965 (called the "September 30 Movement" by the government), or in the Priangan-based Dar ul Islam Movement that continued from the end of the 1940s to the beginning of the 1960s was immediately disqualified. In other words, anyone who had been involved in movements branded as "anti-Republic" was eliminated. Naturally, there was no way that the villagers could know the nature of this ideological check. The candidates were also tested on their knowledge of government administration, which led to the elimination of any leaders of village society who were regarded as having insufficient formal education.

In the end, three of the initial ten candidates remained: an air force officer, a second lieutenant in the state police, and the secretary of the incumbent headman (the nephew of the wife of an earlier headman). The secretary was the only civilian. A member of a prominent village family, he was considered a strong contender. A fairly freewheeling campaign ensued, including house-to-house calls. In the end the police officer was elected. The new headman recalled the election as follows.

> The previous headman's secretary, who's the nephew of the wife of a former headman, was said to be the front-runner. All the village leaders were backing this man. The *camat* [*kecamatan* head], KORAMIL, the BABINSA soldiers that patrol the village,[4] and all the village officials were supporting him. What's amazing is that even the Election Administration Committee [Panitia Keamanan Pemilihan] was endorsing the secretary. Supporters gathered at his house night after night, held meetings, and threw around a lot of money, about five hundred rupiah [¥350] per house. The secretary conspired with the headman to embezzle funds that were supposed to be used to finance the BIMAS program [Bimbingan Massal, or Mass Guidance, a government program promoting intensive rice production]. The amount is said to have been three million rupiah [¥2.1 million]. The headman was arrested and detained for fifty-two days by the police.
>
> In the circumstances, I was at a total disadvantage. But the young people supported me. One night the young man who was my bodyguard crossed the river to reconnoiter. When he reached the *kampung* on the other side, he was spotted by an enemy sentry. "Who's there?" he was challenged. He wiggled out of it by saying, "I support the secretary." Two days before the election I exploded in anger. Throughout the campaign I had reported for work every day without fail at the police station in Bandung. I would get home about three in the afternoon and would then make the rounds of the

---

application; have never been convicted of civil or criminal offenses or of graft; have never been involved in movements opposing the Pancasila or the 1945 constitution; have never been dismissed from the civil service or private companies for misconduct; not already be a civil servant at the time of application; possess the necessary education, abilities, and skills; be of good character; be in good physical health; be willing to be posted wherever the government may decide, including foreign countries; and respect the government's laws. It is believed that the qualifying examination for village headman requires that similar conditions be met. See Department of Information, ed., *Indonesia 1985: An Official Handbook* (Jakarta: Department of Information, 1985), p. 69.

[4] BABINSA (Bintara Pembina Desa, or Village Construction Noncommissioned Officer), the soldier in charge of maintaining order in a village, is under the command of KORAMIL (Komando Rayon Militer, or Subdistrict Military Command), which operates on the *kecamatan* level.

> community, trying to acquaint people with my unknown face. And then two days before the election I heard there was a meeting at the secretary's house with even the Election Administration Committee participating. I marched over there and gave the council and the soldiers a piece of my mind. The old folks seemed scared. Sure, I had letters of endorsement from the commander of the Regional Military Command [Siliwangi Division][5] and the commander of the District Military Command [KODIM] of Sumedang. But of course big shots like that didn't turn out to support me in person. My victory is the victory of the people.

The former secretary and his supporters had a rather different perspective. They claimed the police officer won because of the authority of his pistol and that he and his supporters also threw money around. It appears to be a case of six of one and half a dozen of the other. The one thing that is certain is that the former village elite was defeated. To ordinary villagers, however, it made little difference who won, except that they may have hoped that having a military man with direct ties to the Regional Military Command as their headman would lead to favors from the central authorities (the national government in Jakarta and the provincial government in Bandung).

Village headmen are not counted as national civil servants. The lowest level of civil servants are the *kecamatan* officials.[6] The stipends of the headman and village officials are paid from the villagers' rice levy. At the time of the 1974 election in C, the headman and the ten village officials received an annual stipend of 600 kilograms of unhulled rice apiece. Nominally, the headman's share was 1,800 kilograms, but he actually received only 600. Even 1,800 kilograms of unhulled rice was worth only about 100,000 rupiah (¥70,000). Thus, the headman's stipend did not bring with it any special privileges.

The headman is empowered to appoint two secretaries, a religious official (*lubé* or *amil*), and village police (*polisi desa*). Heads of *kampung* are elected by residents, but it is the village headman who holds virtually all the power over the village. Most important, he has the power to administer the village budget. National budget funds allocated for village development have increased, espe-

---

[5] The official name of the Siliwangi Division is the Army Sixth Regional Military Command, with headquarters in Bandung. There are seventeen army territorial commands. [This was in 1974, at the time of the interview -ed.]

[6] According to 1979 Law No. 5 (Village Administration Law), however, villages in rural areas are designated as *desa*, whereas villages within *kecamatan* in urban areas (areas containing the national capital, provincial capitals, *kabupaten* capitals, cities designated as *kotamadya*, and cities designated as *kota administrasi*) are designated as *kelurahan*, and their heads, *kepala kelurahan*, are national civil servants appointed by the governors of first-class local-government bodies (the national capital and provinces). The same law stipulates that candidates for village headman must be between twenty-five and sixty years of age and must be born or resident in the village. The headman is to be chosen in an election in which all village residents at least seventeen years of age are eligible to vote, after which he is confirmed by the head of the *kabupaten* in the name of the provincial governor. The term of office is eight years, and a headman may serve a maximum of two terms. See Hiroyoshi Kanō, "Indoneshia no seiji taisei to gyōsei kikō" [Indonesia's political system and administrative apparatus], in *ASEAN shokoku no seiji taisei* [Political systems of ASEAN countries], ed. Nobuyuki Hagiwara and Eiji Murashima (Tokyo: Ajia Keizai Kenkyūsho [Institute of Developing Economies], 1987), pp. 35, 36.

Table 1. Fiscal Expenditures (Billion rupiah)

Fiscal year	Total expen-ditures	Expendi-tures for civil servants	Village develop-ment funds	Elementary school construc-tion funds	IPEDA	Fertilizer subsidies[a]	Price index[b]
1971-1972	545	163	—	—	—	1.0	100
1972-1973	736	200	5.7	—	15.2	—	113
1973-1974	1,164	269	5.7	17.2	19.5	33.0	167
1974-1975	1,978	420	11.4	19.7	28.0	227.2	196
1975-1976	2,730	594	15.9	49.9	34.6	134.5	225
1976-1977	3,684	637	19.8	57.3	42.2	107.3	283
1977-1978	4,306	893	23.2	85.0	52.5	31.8	301
1978-1979	5,299	1,002	23.9	111.8	63.1	82.6	323
1979-1980	8,076	1,420	31.0	155.8	71.4	125.0	392
1980-1981	11,716	2,023	50.7	249.8	87.2	283.6	463
1981-1982	13,918	2,277	70.5	374.5	94.5	371.4	534
1982-1983	14,356	2,418	88.4	267.4	105.2	420.2	599
1983-1984	18,311	2,757	91.6	549.3	132.4	324.2	722
1984-1985	19,381	3,047	92.8	572.0	157.1	731.6	817

Sources: Biro Pusat Statistik, *Statistik Indonesia* (each fiscal year), *Indikator Ekonomi.*

[a] The number for fiscal 1971-1972 represents BIMAS subsidies.

[b] The index includes nine basic items for rural Java and Madura.

cially since the mid-1970s (table 1), thanks to increased national revenues resulting from the rapid rise in international oil prices.

The fiscal 1976 budget of C was about 4.85 million rupiah (¥3.40 million). The working budget was 670,000 rupiah, the development budget 4.18 million rupiah. His ability to expand the development budget is one measure of a headman's skill. The *kabupaten* returns 40 percent of the land tax paid by villagers as local development funds (IPEDA, or Iuran Pembangunan Daerah), and state subsidies are granted for projects ordered by the president (INPRES, or Instruksi Presiden), such as funds for the construction of elementary schools. C's fiscal 1976 budget included 800,000 rupiah (16 percent of the budget) in subsidies from the *kabupaten* and the state. The largest revenue item in the village budget was donations by villagers, targeted at 2.74 million rupiah (56 percent of the budget). Donations, divided into five ranks ranging from 650 rupiah to 2,500 rupiah per household, were collected on a quasi-mandatory basis. His ability to meet the target set for donations is another measure of a headman's mettle.

The headman proudly displayed the fruits of development. Benches had been placed here and there in the village, bridges had been built, and a new elementary school was under construction as an INPRES project. He boasted that the village had been able to buy small sprayers and a pump, as well. I saw the school and a mosque under construction in 1976, and when I visited again in 1979 a new village office was almost complete.

At least in C, the power of the central government was definitely in the process of penetrating the village, via the headman and via money. As we see in table 1, national outlays directly involving villages, such as village development funds, elementary school construction funds, IPEDA, and fertilizer subsidies, have risen ten to thirty times, in nominal terms, over the past ten years or so. If the 572 billion rupiah in the fiscal 1984 national budget were divided equally among Indonesia's

67,534 villages (1983 statistics), this would mean 8.5 million rupiah per village. That more money filters down to villages headed by men pleasing to the central authorities is taken for granted.

Considerable state money has flowed into C through the INPRES school-construction project and the BIMAS program. This money generates special interests. BIMAS offers low-interest loans to peasants owning wet-rice fields, but the headman and agricultural official (PTD, or Pamong Tani Desa), acting together, can abuse the system by filing fraudulent applications for loans, attaching documents attesting landownership. In fact, as already mentioned, the previous headman of C had been arrested for misappropriating BIMAS funds. The village was also supposed to receive four million rupiah from the national budget for construction of an elementary school, but apparently less than two million rupiah were actually used for this purpose. According to the headman, the rest disappeared in kickbacks at the provincial and *kabupaten* level.

In any case, the amount of money the headman can wrest from the national budget for his village depends on his caliber. It is quite possible that the new headman, being a police officer, could get more budget funds, making use of his connections in the military bureaucracy, than the village's former ruling elite, and thereby augment his power.

When I visited in 1979, C was preparing for another election, but it was abruptly called off. According to the headman, screening had pared the list of candidates to four. The headman himself had failed the qualifying examination because, he said, another candidate had paid the *camat* three million rupiah to fail him. "It's absurd to think that someone with nothing but an elementary school education could pass," said the headman indignantly. He told me he had appealed directly to the *bupati* (*kabupaten* head) and had had the election called off. According to one village elder, however, the headman had appealed in revenge for having failed the exam. Whatever the truth of the matter, apparently the military and the police had intervened, leaning heavily on the local government. This is because the armed forces have a "dual function"[7] and thus special interests.

Indonesia's 3,539 *kecamatan* (1983 statistics) contain almost twenty villages each, on average. *Kecamatan* officials represent the lowest rung on the civil service ladder. At the end of 1969 there were fewer than 516,000 civil servants in the nation; fifteen years later, in March 1984, this figure had swollen to almost 2.79

---

[7] The Indonesian government explains the dual function of the armed forces as follows:

> The Indonesian Armed Forces have a double mission or dual function, namely as a defence and security force and a socio-political force. The motivation of this dual function of the Armed Forces goes back to the time of the country's independent struggle when the people voluntarily took up arms in defending state and nation. As exponents of the people, Indonesia's Armed Forces constitute a social force which became closely involved with the growth of the young republic.
>
> "The Armed Forces were there to save the country during the era of liberal democratic administration (1950-1959), and guided democratic administration 1959-1965 when chaos and revolts hazarded the Unity and integrity of the nation and state and later when Indonesia was threatened by the attempted communist coups d'état in 1948 and 1965. It is therefore but proper for the Armed Forces as a socio-political force to take part in the national development, not only in the field of security and defence but also in the economic, social and political fields. The Indonesian Armed Forces though not participating in the general elections, yet are represented in the legislative organs by way of appointments. [Department of Information, ed., *Indonesia 1985*, p. 234.]

million, rising from 0.44 percent of the population to 1.72 percent (table 2). If we add the 281,000 members of the armed forces (210,000 in the army, 42,000 in the navy, 29,000 in the air force)[8] and the 120,000 members of the state police, a total of 401,000 people, we see that 1.97 percent of the population were civil servants. This means that 5.35 percent of the labor force of approximately 60 million, or one person in twenty, was employed in the civil service. Since the average size of an Indonesian household was 4.9 people (1980 statistics), the number of households containing civil servants, assuming only one civil servant per household, was almost 16 million. In other words, one person in ten was to some extent economically dependent on the state.

Table 2. Number of Civil Servants[a] (No. people; %)

Class	I	II	III	IV	Other	Total	% total population
Dec. 1969	302,714	178,134	31,334	3,355	——	515,537	0.44
1972	278,937	185,883	39,887	3,962	——	508,669	0.42
Mar. 1978	.....	.....	.....	.....	.....	1,760,419	1.29
Mar. 1981	644,771	1,202,410	144,251	11,164	44,484	2,047,080	1.35
Mar. 1984	734,307	1,789,672	234,192	15,972	11,503	2,785,646	1.72

[a]Military personnel are not included; employees of state enterprises are included.

Source: Biro Pusat Statistik, *Statistik Indonesia* (each fiscal year).

Twelve villages, including C, are under the jurisdiction of T *kecamatan,* in Sumedang *kabupaten.* Their combined population is about 41,000 (1976 statistics). The *kecamatan* office is a vital pipeline between the villages and the central authorities. As we can see from tables 1 and 2, in the mid- and late 1970s both expenditures for civil servants and the number of civil servants rose rapidly. This is an indication of the extent to which the central power was penetrating local communities.

Administratively speaking, *kecamatan* are nothing but outposts of *kabupaten* or cities (*kotamadya*). The *kecamatan* office, headed by the *camat,* includes divisions dealing with residents' welfare, economic affairs, administration, and so on, but in addition central-government agencies—the Department of Information, Department of Education and Culture, Department of Religious Affairs, Department of Social Affairs, Department of Agriculture, and so on—also have *kecamatan* branch offices. The army and police also have subdistrict commands (KORAMIL), which send soldiers to patrol each village.[9]

In 1976 there were about twenty officials in the T *kecamatan* office. The *camat* was a man in his mid-fifties; before being posted to T he had been the *camat* of another *kecamatan.* At that time every *camat* had been equipped with a steel-plated

[8] These figures are from International Institute for Strategic Studies, *Military Balance 1984–1985* (London: International Institute for Strategic Studies, 1984).

[9] The relationship of local governments and the army is as follows: Komando Daerah Militer (KODAM) at the provincial level (seventeen KODAM nationwide), Komando Resor Militer (KOREM) between province and *kabupaten,* Komando Distrik Militer (KODIM—*kabupaten*), Komando Rayon Militer (KORAMIL—*kecamatan*), and Bintara Pembina Desa (BABINSA—*desa*). David Jenkins, *Suharto and His Generals: Indonesian Military Politics 1975–1983* (Ithaca, NY: Cornell Modern Indonesia Project, Monograph 64, 1984), p. 46.

Volkswagen jeep painted orange, which he used as if to display the authority of the central government to local residents.

On October 23, 1976, there was a meeting in the village of C. Lasting from 9:00 A.M. to noon, it was the regular monthly gathering of *kecamatan* and village officials, known as the *rapat penerangam umum* (public information meeting). Its purpose was to convey to the village, via the *kecamatan*, the wishes of the central government. About eighty men took part. From the *kecamatan* came the *camat*, the Department of Information officials stationed at the *kecamatan*, ten or so *kecamatan* officials, the head of the agricultural office, two army officers from KORAMIL, and police officers. Representing the village were the headman and the village officials, as well as other villagers.

The headman formally opened the meeting, after which the Department of Information official delivered a lengthy speech, mainly about the general election scheduled for May 2, 1977. After reviewing past general elections, he said that the next election would be contested by Golkar (Golangan Karya, or Functional Groups), the PDI (Partai Democrasi Indonesia, or Indonesian Democratic Party), and the PPP (Partai Persatuan Pembangunan, or United Development Party). Since elections for the DPR, provincial assemblies, and *kabupaten* assemblies would be held, he explained, the ballots for each would be a different color. After this speech a police officer, an army officer, and the agricultural official spoke briefly.

When the meeting ended, the officials and military officers ate a meal prepared by the village women. The array of dishes included rice, a kind of salad known as *lalab*, beef, vegetable soup, *kerukup*, and bananas. The villagers had told me that back in the days of Dutch colonial rule the Dutch resident, accompanied by the *bupati*, had visited C. Something about the feast spread before the *kecamatan* officials reminded me of the colonial period. The officials gobbled down the food, never pausing to look around, then left the village in a flurry.

Eleven days later, on November 3, the minister of internal affairs was scheduled to pay a visit to the neighboring regency of Garut, and both the *camat* and the headman of C had been summoned to pay attendance. The minister, Lieutenant General Amirmachmud, was a Sundanese from West Java. He served as minister of internal affairs from 1969 to 1983. His vigorous campaigning during the 1971 and 1977 general elections earned him the nickname "Bulldozer." He made the power of the Department of Internal Affairs reverberate nationwide.[10]

After attending the ceremony to celebrate Tasikmalaya's elevation to the status of *kotamadya* (municipality), Amirmachmud stopped over in Garut to deliver a speech. The governor of West Java, the *bupati* of Garut and Sumedang *kabupaten*, all the *camat* and village headmen in the two *kabupaten*, and other local dignitaries and their wives, all in formal dress, assembled to hear him speak at 8:00 P.M., when the meeting began. The minister spoke for almost two hours. The gist of his speech was as follows:

> Both the official residence of the *bupati* and the *kabupaten* assembly building are pretty rundown, aren't they? It's not right that this *kabupaten* be inferior in any way to others. I think we will be able to allocate funds in next year's budget to renovate both the *kabupaten* office and the assembly

[10] Tempo, ed., *Apa & Siapa sejumlah orang Indonesia 1981–1982* (Jakarta: Grafitipers, 1981), pp. 46–47; Jenkins, *Suharto and His Generals*, p. 39.

building. I will also do my best to get ten million rupiah budgeted for the Gedung Wanita [Women's Center]. That's what the president's special budget is for.

There are many different kinds of countries in the world: capitalist countries based on parliamentary democracy, communist states that are proletarian dictatorships, feudalistic states, theocratic states, and so on. Each follows its own path. Our path in Indonesia is the Pancasila. We have Pancasila democracy. This is our original path, different from those of other countries. Until September 30, 1965, Indonesia followed the paths of parliamentary democracy and guided democracy, but there was nothing but uprising after uprising. The peasants and the *ulama* [Islamic teachers] couldn't sleep at night for fear of the Communist Party. But the armed forces crushed the Communists. The New Order that followed, based on the Pancasila, has brought about political stability. But recently there have been signs of threats to this stability. A man named Sawito has spread around subversive literature claiming that the minister of internal affairs wants to become president and other nonsense.[11] Don't let yourselves be confused by such false rumors. The president is elected by the People's Consultative Assembly.

President Suharto has the greatest respect for Islam. But religion isn't everything. Development based on the Pancasila is important, and religious expansion should be carried out within these bounds. Some *ulama* criticize the government and the military, but this is because they don't really understand the Pancasila. Government subsidies for regional development have been increasing. And the benefits of development are growing all the time.

Next year there is a general election. We must make it a success in order to make government based on the Pancasila still more stable. These days even some people with the degree of *doktorandus* [roughly equivalent to an M.A.] or *sarjana hukum* [law degree] are going around saying they don't understand the meaning of the *beringin* [banyan tree, the symbol of Golkar, the ruling party]. We have to make the meaning of the Pancasila much better understood.

The village headmen in their black fezzes and the *camat* in their safari-style uniforms listened intently. Some people earnestly made notes of the minister's remarks. When he said that there were some *doctorandus* who did not know the meaning of the *beringin*, there was an audible stir in the hall, as if people were saying to one another, "*I* know what it means." The minister did not make a direct appeal for support of Golkar, but his speech, laced with veiled criticism of the opposition parties, was clearly a sales pitch for Golkar. His talk about money spoke loudest. After the meeting the *camat* set off for home in their orange jeeps, giving rides to some of the village headmen.

---

[11] Sawito Kartowibowo, formerly an official in the Department of Agriculture, is a distant relative of Sukarno, the previous president. In 1976, declaring that he had received a divine revelation, he drafted a document demanding President Suharto's resignation and obtained the signatures of Vice-President Mohammad Hatta and other political and religious leaders. When this came to light it caused a great sensation, and Sawito was arrested and tried.

The Department of Internal Affairs is empowered to recommend candidates for governor and *bupati* to the president. Of course they have already been nominated by the provincial and *kabupaten* assemblies, but the department's wishes cannot be overlooked. The department also has close links with the armed forces. The minister of internal affairs in the second Ampera cabinet, appointed by Suharto in 1967 when he was still acting president, was Major General Basuki Rachmat. Promoted to lieutenant general, he retained that post when Suharto named his first "development cabinet" in June 1968. In 1969, before his term was up, he was succeeded by Amirmachmud, then an army major general and commander of the Jakarta-based Fifth Regional Military Command. Amirmachmud remained minister of internal affairs for fourteen years. In the fourth "development cabinet" (March 1983) he was named chairman of the People's Consultative Assembly (by now he was a retired four-star general), and was succeeded as minister by Lieutenant General Soepardjo Roestam, previously governor of Central Java. All ministers of internal affairs in Suharto's New Order have been active-duty army generals. Moreover, most major posts in the department and most governorships were held by military officers. For example, of the six major posts in the Department of Internal Affairs in 1971—secretary general, director general of the general executive, director general of regional autonomy, director general of village development, director general for West Irian affairs, and inspector general—all but secretary general were held by active-duty generals.[12]

Table 3. Number of Military Personnel Outside the Department of Defense and Security (No. people; %)

	May 1977	November 1980
Central government		
1. Ministers, heads of high state institutions	17 (42.5)	19 (47.5)
2. Secretaries general	14 (73.6)	14 (73.6)
3. Inspectors general	18 (29.5)	18 (29.5)
4. Directors general	15 (78.9)	15 (78.9)
5. Heads of non departmental institutions	8 (44.4)	8 (44.4)
6. Ministerial secretaries	21 (84.0)	21 (84.0)
Total	76 (53.5)	76 (53.5)
Regional governments, representatives abroad		
7. Governors	19 (70.3)	19 (70.3)
8. *Bupati*	136 (56.4)	137 (56.6)
9. Mayors	19 (31.6)	20 (33.3)
10. Ambassadors	24 (41.0)	28 (44.4)
11. Chargés d'affaires	1 (50.0)	1 (50.0)
12. Consuls general	4 (25.0)	4 (25.0)
13. Consuls	2 (9.5)	2 (9.5)
Total	31 (31.9)	35 (34.3)

Numbers in parentheses indicate percentage of the total.

Source: David Jenkins, *Suharto and His Generals: Indonesian Military Politics 1975–1983* (Ithaca, NY: Cornell University, Cornell Modern Indonesia Project, Monograph 64, 1984), p. 198.

[12] O. G. Roeder, ed., *Who's Who in Indonesia* (Jakarta: Gunung Agung, 1971), p. 523.

In November 1980, 76 of the 142 major posts in the national government (ministers, secretaries general, inspectors general, directors general, and so on) were held by military officers, as were 176 (53.5 percent) of the 329 posts of governor, *bupati,* and mayor (table 3).[13] This indicates how deeply the military, through the administrative apparatus of the Department of Internal Affairs, has penetrated local government.

The village of C is about four kilometers from the *kecamatan* office by national highway. There is a constant stream of Colt minibuses on this highway, which links Cirebon and Bandung. The spread of minibuses, too, has dramatically shrunk the distance separating C from the central authorities. The *kecamatan* office is an unprepossessing building, but in its front garden, facing the highway, stand large white signboards. In addition to the signboard for the *kecamatan* office itself, there are signboards for the *kecamatan* branch of KORPRI (Korps Karyawan Pegawai Republik Indonesia, or Civil Servants' Corps of the Republic of Indonesia) and Dharma Wanita, the women's organization. These two signboards are to be found in front of probably every one of the 3,539 *kecamatan* offices nationwide. KORPRI and Dharma Wanita are important vote-gathering organizations for Golkar. This demonstrates the way in which the Department of Internal Affairs and Golkar dominate the scene, rendering the two opposition parties all but invisible to people on the *kabupaten* and *kecamatan* levels.

2. Bureaucrats on Outlying Islands

Bureaucrats are sent out from the center to the regions, and from one region to the next. Next I would like to look at the minor bureaucrats on small islands in eastern Indonesia.

Wangiwangi *kecamatan,* in Buton *kabupaten,* Southeast Sulawesi Province, is a small coral island measuring about seventeen kilometers north to south and fifteen kilometers east to west. It contains ten villages, with a combined population of 32,000 (1984 statistics). Southeast of Wangiwangi stretch the islands of Kaledupa, Tomia, and Binongko. These four islands together are called Kepulauan Tukang Besi, the "Blacksmith Islands," or WAKATOBI, an acronym combining the first two letters of each island's name. Each island is a separate *kecamatan.* The islands' inhabitants are Butonese, and they speak a language (Bahasa Kepulauan Tukang Besi) that belongs to the Muna Butung language group.[14] According to the islanders, each island has its own language. There seems to be an "island language."

Early in the morning of July 11, 1984, a party of five Japanese, including me, visited Wangiwangi without any prior notice and without having obtained permission from anyone. There is a fairly regular ferry service to the island from Baubau, the seat of the *kabupaten* office. We docked at Wanci, which contains the Wangiwangi *kecamatan* office. Soon after we had unpacked our bags at the only inn on the island, run by a Javanese, the *camat* appeared on a motorcycle. It was not yet 7:00 A.M. Watched by islanders, he told us with great dignity that all outsiders arriving on the island were obliged to report to the *kecamatan* office and ordered us

---

[13] Jenkins, *Suharto and His Generals,* p. 198.

[14] This language group also includes Muna Butung, Korompadan Bonerate, Wolio, and Layolo, according to materials in the National Museum, Jakarta.

to appear there later. Then he sped off on his motorcycle, one of the few on the island.

The *kecamatan* office was located on the east side of the large village square (*alun-alun*). On the west side was a mosque. The configuration of a village square flanked by a government office, a mosque, and sometimes a prison is common to towns and villages throughout Indonesia.[15] Usually the mosque is on the west side of the square, the government office on the south, and the prison on the east, though in Wanci the government office was on the east. The *kecamatan* office was a brand new bungalow. We entered the *camat*'s office, whose walls were adorned with the Garuda state seal and photographs of the president and vice-president. We were met first by the deputy *camat*, a native islander, and his aide. Our reason for visiting the island and other details were written in a notebook, and we were made to sign our names in the visitors' register. The deputy *camat* was about sixty years old. He told us he had worked as an auxiliary to the Kempeitai [military police] during the Japanese occupation.

Eventually the *camat* appeared. He said he had worked in the Southeast Sulawesi provincial government, in Kendari, until a few months earlier. Being a native of Halmahera, he came from a different linguistic and cultural sphere and a different province. He was a graduate of APDN (Akademi Pemerintahan Dalam Negeri), the government's internal administration academy. The forty-year-old *camat* was neatly clad in a safari-style uniform. He wore a shiny gold watch and lit his cigarettes with a music box–lighter. Clearly, he was not an islander. He told us that because he did not speak the local language he would have the deputy *camat* show us around and said to let him know if there was anything we wanted.

The deputy *camat* not only took us around the island but also accompanied us to Binongko, the southernmost of the WAKATOBI islands. His oblique hints that he expected some recompense (money) for his services was something I had often encountered elsewhere in Indonesia.

On a later day we visited the *camat*'s official residence. It was a new building standing alone in a field behind the *kecamatan* office. It was not a raised wooden house, such as the islanders lived in, but a tiled bungalow of the type seen in Javanese towns. Even the residences of officials from the central government were different. The *camat*, now wearing a printed cotton sarong, greeted us in a relaxed manner very different from his demeanor in his office. Splendid chairs, though upholstered in plastic, stood on the highly polished tile floor of the living room.

"We can't even get a maid to come," he complained, displaying an outsider's dissatisfaction. He also said he wanted to return to the provincial government soon for the sake of his three children's education. His carefully made up wife was not an islander, either, but was from Pomala, famous for its nickel mine. This Department of Internal Affairs bureaucrat seemed to consider life on the island to be a kind of exile to the hinterland. He told us he went to bed before eight because there was nothing to do at night. The evening we visited, too, we just sat on the veranda looking at the moon and listening to insects.

---

[15] For a discussion of town layout in Sumedang, West Java, see Yoshinori Murai, "Bandon: Seibu Jawa, Puriangan no machi no seisei to hatten" [Bandung: The formation and growth of towns in the Priangan region of West Java], *Tōnan Ajia kenkyū* [Southeast Asian studies] 21, no. 1 (June 1983), p. 37.

But now, at the behest of the central government, bureaucrats are descending even on isolated islands, which are thus being penetrated by the "majesty" of the central government. We sensed this when we were shown around the island's villages by the deputy *camat*, as well. The day after our arrival he told us he would take us to the village of Waetuno, where there was a wedding. Having procured motorcycles with drivers, we proceeded to the village. The village headman met us and took us to the simple village office. This coastal village had 2,311 inhabitants in 510 households; 65 percent of the adult males were seamen (*pelayar*), and 35 percent were fishermen. All the boats were locally made, and at that time there were thirty-six. The seamen, taking advantage of the monsoon, loaded copra on the Maluku islands and in Irian Jaya and took it to Java. On the return journey they brought manufactured goods and rice from Singapore and Java.

We went with the headman and other village officials to the groom's house. His family and relatives were seated cross-legged in one room. We were offered cigarettes, after which we all ate a meal of goat meat, boiled eggplant, instant noodles, and rice. Eventually the wedding gifts for the bride (*emas kawin*) were displayed: twenty-five-rupiah gold coins, necklaces, cloth, food, and so on. The groom appeared. He was wearing a black fez, nonprescription glasses, and a black jacket and trousers. The name Nakagawa was embroidered on his jacket, probably a secondhand Japanese garment shipped via Singapore. He looked tense and grim.

The groom and his family and relatives walked in procession to the bride's house, about fifty meters away, and we accompanied them. At the bride's house we found her family and relatives, together with the village elders, seated cross-legged in one room awaiting the arrival of the groom and his party. A bowl contained congratulatory gifts of three-hundred-rupiah notes wrapped in small paper packets. These were distributed to all those assembled, who received them respectfully. The bride and groom appeared from another room and made the rounds, greeting everyone. Outside, there was a crowd of villagers, though they seemed more interested in the Japanese visitors than in the bride and groom.

When the ceremony was over and we went outside, the waiting villagers frenziedly (or so it seemed to me) swarmed toward the "white-skinned" foreigners. They touched us and pinched us, and even clawed us. Slowly and deliberately the deputy *camat*, with greater dignity than ever, embarked upon a speech befitting a safari-uniformed official. He spoke in Indonesian. "These people are guests from Japan. I am showing them around on the orders of the *camat*. They want to learn about our customs. Quiet down, all of you. It's shameful to make such a fuss. It is my state duty [*urusan negara*] to protect them."

Actually, I had received a shallow scratch from a villager's fingernails that was bleeding slightly. Seeing this was what had touched off the deputy *camat*'s grand speech. But of course my scratch was not serious enough to warrant referring to "state duty." Whether because of the authority of his uniform or his evocation of the power of the state, the villagers did calm down, though not for long.

After this flurry of activity we returned to the village office. We had told the headman we would like to talk with people who had been inducted by the Japanese military during World War II as forced laborers, or *rōmusha*, and he said he had summoned some former *rōmusha* to the village office. I will not go into detail here about what they said, but when we reached the office four former *rōmusha* were seated in chairs waiting for us. They included old men who spoke Indonesian only haltingly, and men who were unsure of their exact age. Two of the

men appeared to be terrified. They were extremely tense, and understandably so. After all, descendants of the Japanese who had forced them to toil for little food and no wages had summoned them through the most powerful man in the village. The villagers who had been exploited as *rōmusha* were those in a powerless position. From their viewpoint, it made little difference who was in power: the Dutch or the Japanese, Sukarno or Suharto. Duty to the colonial government, duty to the military, duty to the state—however phrased, duty to the powers that be had never held anything good for them.

The Wangiwangi *camat,* a man from another island who had served in the provincial government, was a member of the bureaucratic elite. Perhaps because he had a direct link to the will of the central authorities, when we went to the subdistrict military command, or KORAMIL, after reporting to the *camat,* we only had to undergo a simple passport check. It was the same with the police. But the military and the bureaucracy are not always on such friendly terms. Especially when bureaucrats are local men, they do not always accommodate the military. This is precisely why the Department of Internal Affairs prefers to send bureaucrats from other regions.

Binongko, 100 kilometers southeast of Wangiwangi, is a remote island with no regular ferry service. Measuring twenty kilometers north to south and ten kilometers east to west, it has a population of 10,585 people in 2,395 households (1984 statistics). Constituted of coral upthrust from a reef, Binongko is not suited to agriculture. The basis of the island's economy is smithery, though it is not known why this craft is concentrated in the WAKATOBI islands.[16]

Chartering a small boat, we went to Binongko, where we witnessed veiled hostility between the island-born *camat* and an off-island soldier in regard to the treatment of these intruders. We left Wangiwangi at 8:00 A.M. in a five-ton semi-diesel boat. When it dropped anchor off Palahidu, seat of the *kecamatan* office, at the northern tip of the island, it was after 4:00 P.M. and dusk was approaching. The reef was too close to the surface to permit even a five-ton boat to dock, so we transferred to a small canoe called a *koli-koli.* By the time we reached shore it was completely dark. Clambering onto the jetty, we were met by islanders and a frowning KORAMIL sergeant of muscular build.

"Do you have a permit from the Baubau KODIM?" he demanded.

"No."

"You can't come here without a permit from KODIM."

"We have a permit from the immigration authorities in Jakarta. It doesn't say anything about places we can't go."

"All right, I'm going to contact KODIM."

We seemed to have reached an impasse. The *camat* relieved the heavy atmosphere. The sergeant had been sent from Buton. The *camat,* meanwhile, was a native of Binongko. He was a slender, mild-mannered man of forty-two or forty-three wearing a safari-style uniform with epaulets and a black fez. Cutting off the sergeant, he told us to come to his house for the time being and took us there. It had a large living room, befitting a *camat*'s official residence. A large map of Indonesia

---

[16] For more on this subject, see Yoshinori Murai, "Kajiya no shima: Suraweshi, firudonooto kara" [The Blacksmith Islands: From field notes on Sulawesi], in *Ajiagaku e no shikaku* [Perspectives on Asian studies], ed. Waseda Daigaku Shakaikagaku Kenkyūjo [Institute of Social Sciences, Waseda University] (Tokyo: Waseda Daigaku Shakaikagaku Kenkyūjo, 1985), pp. 199–203.

hung from one wall. One after another, the influential men of the *kecamatan* arrived.

In addition to the *camat,* the assembly included the sergeant, two police officers, the headman of Palahidu, the Department of Industries officials stationed at the *kecamatan,* and the *kecamatan* statistics official. We explained why we had come to the island and requested lodging. The *camat* was willing to accommodate our wishes, but the sergeant still looked disgruntled. We were served a late supper. The *kecamatan* dignitaries showed no sign of leaving even though it was now the middle of the night. Perhaps intrigued by these unusual strangers in their midst, everyone but the sergeant continued to chat with us.

Even on outlying islands like this, the uniforms of the Department of Internal Affairs are a visible presence. But when native islanders wear the uniforms, the ways of the island seem to prevail even in matters of administration. In general, the military is perceived as stronger than the *kecamatan,* but in remote *kecamatan* and villages, locally bred bureaucrats sometimes prevail over military men brought in from outside. The man with ultimate responsibility for peace and order on Binongko was the KORAMIL sergeant; but it was the *camat* who handed down the final judgment as to whether to admit strangers to the island.

Certainly unification of the military on the one hand and *kabupaten, kecamatan,* and village administration and security on the other are being vigorously promoted. It is difficult, however, to maintain complete control over a sprawling national territory comprising more than 3,000 inhabited islands. Given Indonesia's great ethnic, linguistic, cultural, and socioeconomic diversity, centralized rule by the Department of Internal Affairs (which is to say the armed forces) cannot be effected simply by distributing uniforms and maps and national flags.

Maluku is among the provinces with the most islands. Stretching from the Banda Sea to the Arafura Sea, it contains four *kabupaten* and one *kotamadya,* Ambon, which has the same administrative status as a *kabupaten.* There are 1,020 islands, of which 954 are inhabited. The population is 1.41 million, and the population density is eighteen people per square kilometer (1980 statistics).[17] This is one of the least populated areas of Indonesia.

The *kecamatan* of the Aru Islands (Pulau-Pulau Aru), in Southeast Maluku *kabupaten,* comprises three relatively large islands and more than twenty small islands. Their combined area is 6,325 square kilometers, and the population numbers 40,553, so the population density is only 6.4 people per square kilometer. The interior of the islands is covered by low virgin forest. The people live on the coast, along the narrow sea channels separating the islands.

The coastal waters of the islands yield shrimp, pearl oysters, and sea cucumber. There are a shrimp company run by ethnic Chinese and a pearl culture company run by Japanese. In March 1986 I boarded a small wood-hulled trawler belonging to the shrimp company and sailed from west to east through the narrow strait (the Manumbai Channel) separating the islands of Kobror and Wokam, in the middle of the Aru Islands. Hamlets were scattered along the banks of the riverlike channel. Some were Muslim, others Protestant Christian. I had the trawler dock at the village of Wakua and let me off. With a population of 800 in 150 households, it was a relatively large village for the area. There were four ethnic Chinese families.

---

[17] Propinsi Maluku, Kantor Statistik, *Maluku dalam Angka 1983* (Ambon: Propinsi Maluku, Kantor Statistik, 1984).

Trade in bird's nests and taro (*Colocasia esculenta*) linked the village to the outside world. The language spoken along the channel was Manumbai, I was told.

There was no village office in Wakua, in the village of Balatan, which I visited next, or in the village of Mariri, which I visited the following day. The headman's house served as the village office. The headman of Balatan was an ethnic Chinese, a merchant who bought pearl oysters and shark's fins. There were no soldiers or police in the village. Only the elementary school indicated the existence of the Republic of Indonesia. In the small *kampung*, containing 50 to 150 houses, there were no conspicuous dwellings. Almost all the houses were about the same size. Perhaps major inequalities tend not to arise in small villages like these, which the power of the central authorities has not yet penetrated.

The only place in the Aru Islands where one sensed the presence of the administrative apparatus of the Republic of Indonesia was the town of Dobo, seat of the *kecamatan* office. The town had long owed its prosperity to the pearl trade. Because the town was small, the *kecamatan* office stood out.

At 8:00 A.M. every Monday there was an assembly in front of the signboard reading "Aru Islands Kecamatan Office, Dobo, Southeast Maluku Kabupaten, Department of Education and Culture." All the civil servants were in safari-style uniforms. The dozen or so officials lined up neatly, and the red and white national flag was raised. All were wearing serious faces. The islanders, probably used to the sight, paid no attention to this solemn ceremony as they passed by. A youth stepped forward and read aloud the Pancasila. When he finished declaiming each of the "five principles," the assembly repeated it in chorus. The islanders, meanwhile, simply detoured around the part of the road where the assembly was taking place and continued coolly on their way. Only two or three small children were watching the ceremony.

3. Bureaucratic Politics under the New Order

Today, twenty years after Suharto became president of Indonesia (he was named acting president in 1967 and president the following year), his regime has continued too long to be called the "New Order." As we have seen above, the administrative network of the regime is spreading to include the smallest administrative units. The trinity of the armed forces, the bureaucratic apparatus, and Golkar is attempting to beam the light of the central power into the farthest corners of village communities. But light is accompanied by shadow. Over the twenty years of the New Order, dapper bureaucrats in crisp safari-style uniforms with knife-edge creases, highly polished leather shoes, and imported sunglasses and belts have become an increasingly common sight. Government offices down to the village level have been refurbished, official residences have been built, and official automobiles have been distributed.

G. M. Sudarta, in the satirical cartoons he has been publishing in the influential national daily newspaper *Kompas* for the past twenty years, has used the cartoons' protagonist, Oom Pasikom, to testify to the nature of the New Order. Cleverly skirting the limits of the press censorship guidelines, Sudarta has made Oom Pasikom comment on the New Order's dark side.

Oom Pasikom, Sudarta's alter ego, represents neither the mass of Indonesians nor the powerful elite. He reflects the special intellectual ambiance of a Jakarta newspaper. Probably the closest analogue to Oom Pasikom is the rising middle class found in Jakarta and other big cities. Although it may be relatively small

numerically, this class is definitely the product of the New Order. Its members, high school or university graduates, include civil servants, teachers, white-collar employees of foreign and other big companies, and middle- and upper-ranking engineers.

Masao Koizumi divides Indonesian society into elite (E) society and mass (M) society, and calls the lowest stratum of E society and the highest stratum of M society the twilight (T) zone.[18] It could also be called the middle class. The T zone is marginal in terms of both E society and M society. Koizumi describes members of the lowest stratum of E society as follows:

> People in this stratum, possessing no property or wealth apart from what they earn through their own skill, and engaged for the most part in modern occupations thanks to education and their own wits, work hard to maintain an E-society lifestyle. . . . These so-called salary men, who account for a large part of the population of E society, are often hard put to keep up appearances as modern salary men and to meet the costs of their children's education. . . . Though earning incomes that members of M society can only dream of, they are gnawed by a sense of poverty. . . . The need to keep up appearances as members of E society and the demands of their jobs require that they be neatly dressed, wear well-polished shoes, possess a wrist-watch, fountain pen, and pocket calculator, and even dine in first-class restaurants when necessary to fulfill business and social obligations. But to scrape together the money to do so they eat lunch for 100 rupiah at street stalls and furtively visit roadside barbers for 250 rupiah haircuts.[19]

Oom Pasikom probably belongs to this pathetic class of salary men at the very bottom of elite society. In cartoons he appears sometimes as a peasant, sometimes as a peddler, and occasionally as a prosperous member of the elite. But he is seen most often as a salary man, civil servant, or teacher, embodying their expectations and their misery as these expectations are so often betrayed.

Sometimes, however, Oom Pasikom distances himself from the middle class, lashing out at the powers that be as a representative of M society and attacking the despotic ways of civil servants and soldiers from the standpoint of the masses. He also pokes fun at the affectations of the middle class. A selection of 380 of Sudarta's cartoons appearing in *Kompas* from 1967 through 1980 have been published in book form.[20] The most common themes are graft and corruption. This is not because they are easy to represent in cartoon form but because in reality graft is rampant and corruption has spread.

Sudarta's cartoon of May 12, 1967, at the dawn of Suharto's New Order—commemorating a leader of KAMI (Kesatuan Aksi Sarjana Indonesia, or Indonesian Graduates' Action Front) who fought to topple Sukarno—shows the sun rising on the New Order. But optimistic cartoons like this all but disappeared in the 1970s. Money for development was flowing freely, and society was transformed into an

---

[18] Jakarta Japan Trade Center [Masao Koizumi], "Hembō suru Ajia no shōhi shijō, sono 3: Indoneshia (ge)" [Asia's changing consumer market 3: Indonesia, part two], *Gekkan kaigai shijō* [Overseas markets monthly], September 1980, pp. 2–3.

[19] Ibid., p. 3.

[20] G. M. Sudarta, *Indonesia 1967–1980* (Jakarta: Gramedia, 1980).

arena in which people competed viciously for funds. The hard life of the masses, who received not a crumb from the feast, was frequently depicted, and the powerful men who sought to wring even more from the suffering masses loomed larger. One symbolic cartoon in the latter half of the 1970s shows the law being weighed against bullets (November 20, 1976). Another shows the desperate scene of a peasant clutching a petition and fearfully approaching the parliament building. Behind him is a crocodile, ahead of him a lion. Unless he can escape them, he cannot obtain justice (April 4, 1979).[21] The New Order depicted by Sudarta is not an age of brilliant development. It is an age of graft and corruption in connection with development money, an age of egregious tyranny on the part of government officials and powerful interests, an age in which ordinary people grow ever more fearful. This is tied to the concentration of power in the hands of the armed forces, the Department of Internal Affairs bureaucracy, and Golkar and the penetration of the central power into local communities that we have been examining.

It would be too blunt to say that everything comes down to money and bullets. Even if dominance does depend ultimately on money and bullets, its actual mechanisms are somewhat more subtle. One such mechanism is the manipulation of symbols. The Pancasila, for example, flourished like a sacred banner, is interpreted and used to the advantage of the powers that be. On May 26, 1971, just before the first general election under the Suharto regime, Minister of Internal Affairs Amirmachmud assembled local government bureaucrats in Semarang, the capital of Central Java, and delivered a speech to them. As in his speech in Garut, he referred to the Pancasila and the *beringin:* "Any organization that drags down the prestige of the *beringin* falsifies and insults the Pancasila and insults the Indonesian people." Sudarta satirized this statement in a cartoon in which Oom Pasikom declares, "To insult my group [*golongan*] is to insult the Pancasila, and to do that is to insult the Indonesian people! . . . To insult me is—yes—anti–Oom Pasikom."[22]

Here we see the schematic equation of Golkar, the *beringin,* the Pancasila, and the Indonesian people. Golkar is nothing but a functional group (*golongan*) centered on civil servants. The *beringin,* symbol of Golkar, is manipulated to suggest that it is synonymous with the Pancasila as a strategy to keep the PPP, which was formed by combining Islamic forces, and the PDI, which combines nationalistic groups (chiefly the Partai Nasional Indonesia, or Indonesian National Party) and Christian forces, always in the inferior position of opposition parties. The Kaaba, originally the symbol of the PPP, was finally replaced in the general election of 1987 with a star, symbolizing one of the tenets of the Pancasila, belief in a single absolute deity. The ideology of Golkar seems to be the unification of all forces under the great *beringin* (symbol of the unity of Indonesia and of nationalism).

The Pancasila has been elevated to a mystical, absolute status as a means of unifying the people in support of this ideology. At the same time, the carrot of development money and the stick of intimidation by means of armed force have been used effectively. Loyalty to the state is inculcated by such means as ceremonial raising of the national flag and choral chanting of the Pancasila. Uniforms are

[21] Ibid., p. 348.

[22] Ibid., p. 364.

handed out to government officials (*karyawan*),[23] and local governments loyal to Golkar receive new offices, official residences, and schools.[24] Officials can take part in study groups and seminars in the big cities. These, which double as pleasure jaunts, are among the perks of being an official. If officials secure budget allocations for construction projects (*proyek*), they become even more arrogant. And if they make a relative the contractor (*pemborong*), they receive a commission.

Money rains down from above. Sudarta scathingly ridicules the behavior of officials in this age of development. At every opportunity Oom Pasikom bewails the corruption and decadence underlying the power of officials and soldiers: a *carpe diem* mentality (*mumpung-isme*), evasion of responsibility and irresponsibility, misuse of authority, cronyism (*konco-isme*), tribalism (*suku-isme*), nepotism (*famili-isme*), and affectation and indulgence.

For example, during land disputes in Jenggawa, East Java, and in Angsana, West Java, at the end of the 1970s the state, backed by the military, went so far as to deprive peasants of their rights to cultivate and own land.[25] The military and bureaucrats have sold logging rights, mining rights, fishing rights, and other rights to natural resources piecemeal to foreign concerns, which has created a great many special interests. The state itself has become "the most important and expensive project," and those in charge of carrying out the interests of the state—the military and the bureaucrats—have indulged in "overpresence" in every dimension of the people's lives.[26]

Meanwhile, the people have been made more keenly aware of the carrot and stick carried by *karyawan* uniforms. In 1976 a large number of wooden ballot boxes were manufactured in the village of C, Sumedang *kabupaten*. The village contained several lumber mills and furniture factories. In preparation for the 1977 general election a contract (*borongan*) to make ballot boxes was received, though the route is not clear. The contract called for the manufacture of two hundred teak ballot boxes under the supervision of a particular furniture factory. The villagers, anticipating a tidy profit, set to with a will. In the end, however, the government did not purchase the ballot boxes. The considerable labor and cost of the work were ab-

---

[23] For a discussion of *karyawan*, see Hiroyoshi Kanō, *Paguraran: Tōbu Jawa nōson no tomi to hinkon* [Pagelaran: Wealth and poverty in an East Java village] (Tokyo: Ajia Keizai Kenkyūsho [Institute of Developing Economies], 1979).

[24] For a discussion of the way in which Independence Day (August 17) ceremonies are assimilated and carried out on the village level, see Teruo Sekimoto, "Mura to kokka gyōji" [The village and state ritual]. For a discussion of uniforms, see Takashi Shiraishi, "Gakkō shōka, seifuku, Dorakyuraa: Indoneshia no kokumin tōgō" [School songs, uniforms, and Dracula: National integration in Indonesia]. These interesting papers appear in Yōnosuke Hara, ed., *Tōnan Ajia kara no chiteki bōken* [Intellectual adventures in Southeast Asia] (Tokyo: Libroport, 1986). [An English translation of Sekimoto's paper has been published under the title "State Ritual and the Village: An Indonesian Case Study," in *Reading Southeast Asia*, ed. Takashi Shiraishi (Ithaca, NY: Cornell University, Cornell Southeast Asia Program, 1990).—Ed.]

[25] See Hirosuke Mizuno, "1970 nendai kōhan Indoneshia ni okeru tochi funsō to sono seikaku" [Land conflicts in the latter half of the 1970s in Indonesia and their characteristics], in *Tōnan Ajia nōson no teishotoku kaisō* [Low-income strata in rural Southeast Asia], ed. Tsutomu Takigawa (Tokyo: Ajia Keizai Kenkyūsho [Institute of Developing Economies], 1982), pp. 161-92.

[26] Dawam Rahardjo, speaking at the UNU, ARENA, SEAFDA Joint Workshop on Alternative Development Perspectives in Asia, Bali, March 11–15, 1986.

sorbed somehow by the village. Almost two-thirds of the INPRES funds allocated for school construction, too, disappeared before reaching the village, and these losses were also absorbed by the village.

The people demonstrate allegiance to attract state projects and the money to cover their costs. "Reports calculated to please superiors" (*laporan asal bapak senang*) are fabricated. In 1977 the rice crop was damaged by drought. Karawang *kabupaten*, West Java, a major rice-producing area, was especially hard hit, and poor people were on the brink of starvation. This rural area is a stone's throw from Jakarta. Sudarta's October 26, 1977, cartoon shows three portly officials, masked and carrying "reports calculated to please superiors," walking by starving peasants. Only favorable reports that do not call the administration to account—"The rice crop in Karawang is good; there is no starvation"—reach the upper echelons of the central government. Sycophancy boosts the prestige of higher officials and builds up a huge pyramid of irresponsible authoritarianism.

At the top of this pyramid is the tiny wealthy stratum at the pinnacle of Koizumi's E society: the 2.5 million to 2.8 million people—2 percent of the population (1980 statistics)—who own their homes and have monthly incomes of over 750,000 rupiah. Even if the middle stratum of E society (people with a monthly income of 200,000–750,000 rupiah) is included, this group accounts for less than 10 percent of the population. Its members include politicians, generals, high-level bureaucrats, owners of big businesses (many of whom are ethnic Chinese), lawyers, doctors, and people with large inherited landholdings. Below them is the narrow middle-class stratum of salary men. Probably more than 80 percent of Indonesians have no hope of ever becoming part of the wealthy stratum. The best they can hope for is to receive an education and become civil servants or go to work for big companies, in other words, break into the middle class.

Table 4. Public and Private Elementary, Middle, and High School Teachers (No. people)

Fiscal year	Elementary school	Middle school	High school	Total
1968-1969	324,634	94,730	40,269	459,633
1971-1972	414,799	102,794	49,928	577,521
1974-1975	443,015	110,367	61,459	614,841
1977-1978	551,927	134,012	75,772	761,711
1980-1981	665,264	202,062	127,114	994,440
1983-1984	925,834	275,680	159,147	1,360,661

Source: Biro Pusat Statistik, *Statistik Indonesia* (each fiscal year).

As we saw in table 2, in 1984 there were almost 2.8 million civil servants. Of this number, 1.36 million were elementary, middle, and high school teachers (table 4). If soldiers and police are added, the total swells to 3.2 million—2 percent of the population and 5.4 percent of the labor force. Meanwhile, in 1983 there were 8,245 manufacturing firms with twenty or more employees, employing a total of 1.12 million people.[27] It is not clear how many employees of big businesses and state enterprises (the latter are civil servants) there are, but by the most generous estimate big businesses (100 or more employees) which are totally private cannot account for more than 300,000 or so employees—about one-third of the total. This being the

[27] Biro Pusat Statistik, *Statistik Indonesia 1983* (Jakarta: Biro Pusat Statistik, 1983).

case, the fastest route to middle-class status for the masses is to receive at least a high school education and find a civil service job that offers advancement. Civil servants earn a regular salary; they may be able to live in civil service housing; they may be able to buy not only a motorcycle and a television set but even a car; they can take official trips and participate in seminars; they may receive various perks. Best of all, they can escape the hand-to-mouth existence of physical labor.

The New Order has, at least, given the masses the dream of becoming part of the middle class. It has lavished budget funds on civil servants (table 1). It has built schools. Table 5 shows the growth in the numbers of elementary, middle, and high school students. The proportion of children receiving education has increased substantially from 1971 to 1980, expanding from 66.5 percent to 92.6 percent of the relevant age group for elementary school, from 19.8 percent to 35.2 percent for middle school, and from 8.1 percent to 21.5 percent for high school. These figures reflect the aspiration of the masses more than the benevolence of the government.

Table 5. School-age Population, Number of Students, and Index
(Thousand people; index)

		1971	1975	1980
7-12 years of age		20,262 (100)	22,060 (109)	24,292 (120)
13-15 years of age		7,630 (100)	8,540 (112)	9,694 (127)
16-18 years of age		7,045 (100)	7,584 (108)	9,405 (133)
No. of students	Elementary school	13,474 (100)	14,280 (106)	22,487 (167)
	Middle school[a]	1,507 (100)	1,899 (126)	3,413 (226)
	High school[a]	573 (100)	796 (139)	2,022 (353)

Numbers in parentheses indicate the index.

[a]Students of technical, vocational, teacher-training, and other specialized schools are included.

Sources: Biro Pusat Statistik, *Statistik Indonesia* (each fiscal year), *Indikator Kesejahteraan Rakyat 1982, Sensus Penduduk 1971;* other sources.

Conclusion

Supported by the needs and wants of the masses, the bureaucratic apparatus has swollen and become increasingly authoritarian under Suharto's New Order. Taking advantage of the masses' yearning for upward mobility, the New Order has extracted allegiance to the state, the bureaucracy, and Golkar by fulfilling the people's wishes as far as the budget allows while elevating the Pancasila to a mystic symbol. It is plain to anyone's eyes, however, that official corruption has gone beyond the bounds of tolerance. No matter how much the state deifies the Pancasila, it cannot eradicate the stink of human corruption. A handful of the masses may have had their wishes fulfilled, but the majority of people realize that their hopes have been in vain and thus have been reduced to greater despair. The anticipated benefits of the rapid rise in oil prices in the mid- and late 1970s disappeared in the mid-1980s; the regime now finds itself in dire straits. Attempts to weather such crises by cracking down have already failed in the Philippines and South Korea.

The Suharto regime may indeed have succeeded in building an intricate bureaucratic network controlled by the Department of Internal Affairs and the military.

But its development policies have also generated a "crisis of development"[28] marked by a widening gap between rich and poor, unemployment, increased dependency, depletion of natural resources, and despoliation of the environment.

In a poem addressing prostitutes—that form of life so close to high-level bureaucrats, politicians, and generals, yet so despised—Rendra condemns the decadent leaders of the revolution and the "politics of development."[29]

> The politicians and senior civil servants
> are a tight bunch of pimps
> Their congresses and conferences
> wouldn't go without you
> You who must never say no
> because of the terror of hunger
> and the yoke of poverty
> and your long futile search for work
> School diplomas were useless
> The section heads
> would only open the door of opportunity
> if you would open your legs
> And outside government were only run down businesses
> with no vacancies—
> The leader's revolution
> was a revolution of gods
> They fought for heaven
> and not for this earth
> A revolution by gods
> has never produced
> more jobs
> for the ordinary people—
> You are a part of the proletariat.
> they created

This paper was originally published in Japanese under the title "'Kaihatsu' no tame no ken'ishugi kanryō seiji: Indoneshia no shin taisei ni miru" [Authoritarian bureaucratic politics for the sake of "development," as seen in Indonesia's New Order], in *Dai san sekai no seiji hatten* [Political development in the third world], ed. Nippon Seiji Gakkai [Japanese Political Science Association] (Tokyo: Iwanami Shoten, 1988), pp. 149-69.

---

[28] See Khor Kok Peng, "The Third World Today: Crisis of Development," paper presented at the UNU, ARENA, SEAFDA Joint Workshop on Alternative Development Perspectives in Asia.

[29] "Bersatulah pelacur-pelacur kota Jakarta," in W. S. Rendra, *Blues untuk Bonnie*, 2d ed. (Jakarta: Pustaka Jaya, 1976), p. 25. [The translation is from Rendra, *Ballads and Blues: Poems*, translated by Burton Raffel, Harry Aveling and Derwent May, with a preface by A. H. Johns (Kuala Lumpur: Oxford University Press, 1974), p. 214.]

3

LANDLESS PEASANT HOUSEHOLDS IN INDONESIA

Hiroyoshi Kanō

INTRODUCTION

In this paper I will examine landless peasant households in Indonesia using statistical data from both the national/regional level and the village level to elucidate some of the conditions existing in the lowest economic stratum in rural Indonesia, especially on Java. As the following discussion will reveal, the study of landless peasant households cannot cover the entire spectrum of data required for an accurate identification of rural poverty because landownership and the scale of landholdings do not correspond exactly to income levels. Nevertheless, there are two reasons for studying this subject.

First, except in relatively sparsely populated areas, areas bordering large cities, and certain special cases, landholdings, along with their management and cultivation, are the primary source of peasant household income. Consequently, ownership of land and the scale of landholdings can be utilized as indirect indicators of approximate income levels for rural households.

Second, owing to the inadequacy of surveys of peasant household budgets, the income statistics available are insufficient to enable us to determine the conditions of the lowest economic stratum of peasant society. Even in case studies at the village level, it is usually difficult to estimate peasant household income accurately. Identification of landholdings and their size is relatively easy, however, and provides objective quantitative data that can be used in making comparisons. As will be evident from the following discussion, such data for both the national/regional and village levels were relatively easy to obtain.

A working definition of landless peasant households and quantitative estimation of their number are undertaken in section one. The factors behind the occurrence and existence of this phenomenon are considered in section two. Actual patterns of peasant households, based on case studies of villages in rural Java, are examined in section three.

1. QUANTITATIVE ESTIMATION OF LANDLESS PEASANT HOUSEHOLDS

DEFINITION AND METHOD OF ESTIMATION

The term "landless peasant households" is more or less self-explanatory. It should be noted, however, that in this context land refers to land that belongs to the household or to any household member, regardless of any transfer of the owner's

name in the land tax register at the village government office. Moreover, the term is restricted to cultivated land; it does not include the compound of the house (*pekarangan*). This restriction is necessitated by the lack of statistics on ownership of compounds at the national/regional level and by the fact that the number and percentage of landless households would become too limited if such land were included, a fact supported by the case studies presented in section three.

Calculation of the number of landless peasant households as defined above is easily implemented at the village level through case studies, as shown in section three, and the results are instructive. For estimation at the national/regional level, the focus of the present section, however, this definition cannot be applied without modification. Data on the number of landless peasant households as defined above either do not exist or have not been made public. Nor is there any precedent for indirect estimation. The above definition must therefore be adapted slightly, and a method that utilizes existing data must be devised.[1]

The only data that provide us with a clue to the number of landless peasant households are found in the 1973 agricultural census.[2] The more than 14.37 million "farm" households throughout Indonesia, excluding Irian Jaya, are classified into sixteen categories on the basis of cultivated area, ranging from households with less than 0.1 hectare to those with at least 15 hectares. The total number of households in each category is provided for each of the twenty-five provinces surveyed. "Cultivated area" (*luas usaha*) refers to the cultivated area from which land rented to others has been subtracted and to which land rented from others has been added.[3] These data do not actually provide information concerning the number of landless peasant households. The "farm" households covered in the census include only those with cultivated areas of at least 0.05 hectare of wet-rice fields, at least 0.1 hectare of dry fields, or at least 0.75 hectare of wet-rice fields and dry fields combined. The majority of landless peasant households, as defined above, are thus excluded from the census. In fact, all the households covered in these statistics are landholding households.

If the total number of households in a village can be determined, however, the number of non-"farm" households can be obtained by subtracting the number of "farm" households from the total number of households in the village. This figure should resemble, both qualitatively and quantitatively, the number of landless peasant households. The set of peasant households with a cultivated area of less than 0.05 hectare of wet-rice fields (or 0.1 hectare of dry fields, or 0.75 hectare of wet-rice and dry fields combined) should substantially overlap the set of peasant households that own no land, and the size of both sets should be almost the same (figure 1). Accordingly, I substituted non-"farm" households for landless peasant

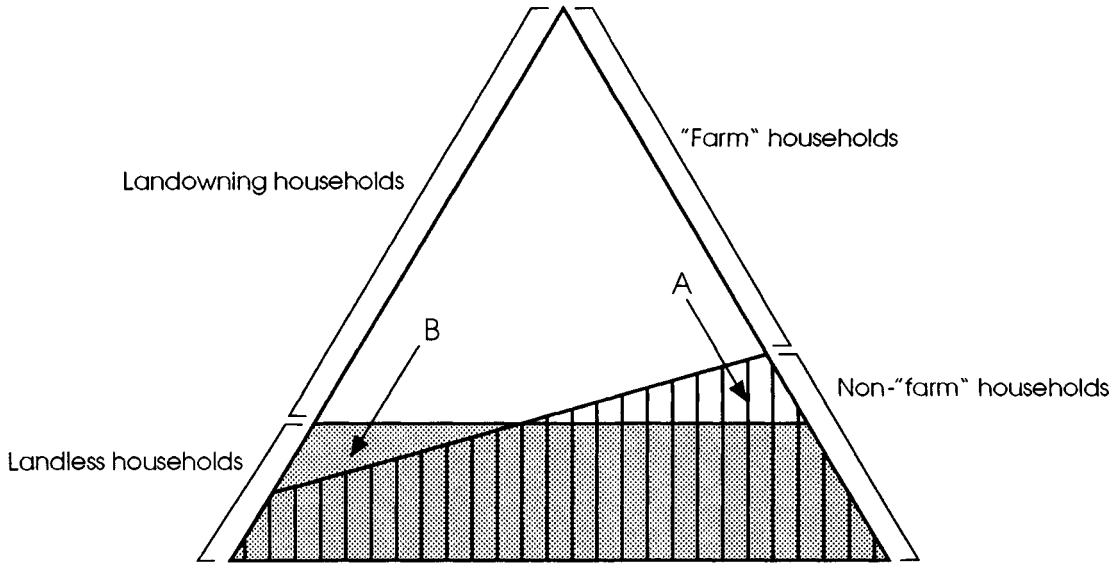
---

[1] The method of estimation given below is basically the same as that used to estimate the number and percentage of non-"farm" households in Java in another study of mine. There are some differences in the estimates in the two studies, however, due to the use, in the present study, of population statistics for different years in order to arrive at national-level estimates by province. See Hiroyoshi Kanō, "Nōgyō mondai no chūbu Jawa teki kōzō (I): Jokujakaruta tokubetsuku no jirei ni sokushite" [The Central Java pattern of agarian problems (I): A case study of Yogyakarta Special Region], *Ajia keizai* [Developing economies] 21, no. 4 (April 1980): 14.

[2] *Sensus Pertanian 1973: Pertanian* [1973 agricultural census: Agriculture], vol. 1 (Jakarta: Biro Pusat Statistik, 1976).

[3] For a more detailed definition see ibid., pp. ix-x.

FIGURE 1 - LANDLESS HOUSEHOLDS AND NON-"FARM" HOUSEHOLDS



A = Households that own a little land, which they cultivate or rent to others.
B = Households that own no land but rent some land from others.

households and developed the calculation method described below to estimate their number.

First the total number of rural households in 1973, Hr, must be obtained. Although existing data do not provide such a figure, there are some valuable data that can be used to estimate this: the rural-area population, R_1, and the combined rural-area and urban-area population, P_1, both of which are recorded in the population census of 1971,[4] and the total population, P_2, recorded in the results of the 1975 population registration.[5] The term "rural area" is a census district classification, and although the total number of households in this area does not correspond exactly to the total number of rural households, the difference between the two is considered to be insignificant.[6] By designating the total rural population for 1973 as

[4] *Sensus Penduduk 1971: Penduduk Indonesia* [1971 population census: Population of Indonesia], Series D (Jakarta: Biro Pusat Statistik, 1975).

[5] *Penduduk Luar Jawa: Hasil Registrasi Penduduk 1975* [Population of outer islands: Results of 1975 population registration] (Jakarta: Biro Pusat Statistik, 1977). The data for Java, however, were obtained from the 1976 intercensal pupulation survey, *Ringkasan Penduduk Indonesia Menurut Propinsi dan Pulau 1976* [Summary of Indonesian population in 1976 by province and island] (Jakarta: Biro Pusat Statistik, 1979).

[6] It is possible that some "farm" households, as defined in the 1973 agricultural census, may actually exist in the areas designated as urban in the 1971 population census. The resulting discrepancy in estimated values must be ignored, however, since there is no means of verification.

R, the average number of families in a village as f, and the average annual rate of rural population increase for 1971–1973 as g, we obtain the following equation:

$$(1)\ Hr = R/f = R_1(1 + g)^2/f$$

The next step is estimation of the values g and f, for which purpose two assumptions can be applied. The first assumption is that g is approximately equivalent to the average annual rate of rural population increase from 1971 to 1975, g′. The second assumption is that g′ is approximately the same as the average annual rate of population increase for the total population (urban plus rural) during the same period, and that therefore g = g′ = G. In fact it is highly probable that g′ < g, since the rate of rural population increase is gradually decreasing. There is also a high probability that G > g′, because the rate of population increase in urban areas is generally higher than in rural areas. However, the difference in their values is considered to be negligible. Moreover, since the signs of inequality in the above two equations are opposite, the possible difference between the values g and G is further reduced. On the basis of the above two assumptions, we see that

$$P_2 = P_1(1 + G)^4$$

From this we obtain the equation

$$(2)\ 1 + g = 1 + G = 10^{1/4(\log P_2 - \log P_1)}$$

Because the value of f, the average number of rural households in 1973, cannot be derived directly from existing data, the closest approximate must be used. Once again two assumptions can be applied. First, it is assumed that the difference between the average size of rural households and the average size of households, including those in urban areas, is slight. Values obtained from the 1975 population registration for the average size of households in urban areas (*kotamadya*), fk, and for the average size of households in regencies (*kabupaten*), fb, indicate some variation in the relationship between the two values, depending on the locality. In some cases fk > fb, and in other cases fk < fb. The fact that on the provincial level there is no obvious difference between the average size of households in rural areas and in urban areas, coupled with the high rural population, supports the above assumption. The second assumption is that no significant change occurs in the average size of households over a two- or three-year period.

Based on these two assumptions, f can be replaced by the average size of households in rural and urban areas combined in 1975, f′. If the total number of households in 1975 is designated as H_2, we obtain the equation

$$(3)\ f = f' = P_2/H_2$$

If equations (2) and (3) are added to equation (1), we obtain

$$(4)\ Hr = H_2 \cdot R_1 \cdot 10^{1/4(\log P_2 - \log P_1)}/P_2$$

Thus Hr can be reduced to the four known statistical values of P_1, P_2, R_1, and H_2. If the number of "farm" households in the 1973 agricultural census is designated as T, then the number of non-"farm" households, N, can be obtained by the equation

$$(5)\ N = Hr - T$$

In the following discussion, the total number of "farm" households and the total number of non-"farm" households in each province are estimated using equations (4) and (5).

National Estimates by Province

Table 1 presents the estimated number of rural households in 1973 for twenty-four provinces. (Excluded are the special metropolitan region of Greater Jakarta, which had no statistically defined rural population, and Irian Jaya, for which census data were not available.) Calculated according to the method described above, the estimated number of rural households in Indonesia, excluding Greater Jakarta and Irian Jaya, was 21.56 million, of which 14.14 million were located on Java. Table 2 compares the estimated number of rural households in 1973 with the number of "farm" households in the 1973 agricultural census. The number of non-"farm" households derived from the difference between the two is also presented, along with the percentage of non-"farm" households in the total number of households. Figure 2, based on the data in Table 2, shows the percentage of non-"farm" households in each province, rounded off to the nearest 10 percent.

Several characteristics can be ascertained from the values presented in these tables and figure. First, the percentage of non-"farm" households is more than 30 percent as a national average. This means that about one-third, or 7.21 million, of the rural households in Indonesia are landless. This figure rises to almost 40 percent, appreciably higher than the national average, for Java, the area with the greatest population density. Slight variations in this percentage are seen among the provinces on Java itself, West Java having the highest percentage at 45.7 percent, followed by East Java with 37.4 percent, Central Java with 34.2 percent, and Yogyakarta with 23.9 percent.

The overall percentage of non-"farm" households on the outer islands (the islands other than Java), on the other hand, is comparatively low, with 17.2 percent for Sumatra, 11.5 percent for Kalimantan, and 17.1 percent for Sulawesi. Some provinces on these islands have quite high percentages, however, such as North Sumatra, Riau, South Sumatra, East Kalimantan, Central Sulawesi, West Nusa Tenggara, and Maluku. In general, the percentage varies widely from province to province on the outer islands, though the cause of this phenomenon has not yet been clearly identified.[7] I am aware of the need to avoid idle speculation, but the variation may well be due to the prevalence of occupations other than wet-rice farming, such as plantation farming, fishing, and swidden agriculture. It is therefore unwise to approach the issue of landless peasant households on the outer islands as if it were the same in nature as on Java, or to draw conclusions based upon identical criteria.

---

[7] The fact that for West Kalimantan the estimated number of "farm" households is slightly greater than the number of rural households is probably due to the insignificant number of landless households in the province, as well as the discrepancy mentioned in note 6.

Table 1. Estimated Number of Rural Households by Province, 1973

Province	A: Rural population x 1,000 (1971)	B: Average annual population increase rate (%; 1971-1975)	C: Rural population x 1,000 (1973)	D: Average no. families (1975)	E: No. peasant households x 1,000 (1973)
1. Greater Jakarta	—	—	—	—	—
2. West Java	18,937.8	1.640*	19,564.1	4.300**	4,549.8
3. Central Java	19,520.1	1.015*	19,918.4	4.736**	4,205.7
4. Yogyakarta	2,082.2	1.067*	2,126.9	4.712**	451.4
5. East Java	21,814.1	1.220*	22,349.6	4.562**	4,899.1
Java & Madura	62,354.2	1.549*	64,112.3	4.534**	14,140.3
6. Aceh	1,838.8	2.942	1,948.6	4.767	408.8
7. North Sumatra	5,485.2	2.134	5,721.8	5.464	1,047.2
8. West Sumatra	2,312.9	1.866	2,400.0	4.956	484.3
9. Riau	1,423.2	2.176	1,485.8	5.541	268.1
10. Jambi	713.1	2.987	756.3	4.988	151.6
11. South Sumatra	2,509.7	3.228	2,674.3	5.309	503.7
12. Bengkulu	458.4	3.585	491.9	5.487	89.6
13. Lampung	2,502.8	4.490	2,732.6	5.646	484.0
Sumatra	17,244.1	2.763	18,210.2	5.298	3,437.2
14. West Kalimantan	1,797.3	2.600	1,889.9	6.912	273.4
15. Central Kalimantan	615.2	3.385	657.6	5.266	124.9
16. South Kalimantan	1,246.2	2.065	1,298.2	4.586	283.1
17. East Kalimantan	445.2	4.886	489.8	5.655	86.6
Kalimantan	4,103.9	2.868	4,342.7	5.576	778.8
18. North Sulawesi	1,382.7	2.132	1,442.3	5.662	254.7
19. Central Sulawesi	862.0	2.887	912.5	5.482	166.5
20. South Sulawesi	4,239.3	1.974	4,408.3	5.635	782.3
21. Southeast Sulawesi	668.9	1.891	694.4	5.509	126.0
Sulawesi	7,152.9	2.098	7,456.2	5.613	1,328.4
22. Bali	1,912.0	1.311	1,962.5	5.290	371.0
23. West Nusa Tenggara	2,024.8	1.873	2,101.4	4.624	454.5
24. East Nusa Tenggara	2,165.8	1.999	2,253.3	5.621	400.9
25. Maluku	944.9	3.520	1,012.6	6.327	162.4
26. Irian Jaya	—	—	—	—	—
Indonesia	97,902.5	2.184*	102,225.6	4.741**	21,562.0

*Average annual population increase rate for 1971-1976.

**Average no. rural families in 1976 (from 1976 intercensal survey).

Sources: For A: *Sensus Penduduk 1971: Penduduk Indonesia* [1971 population census: Population of Indonesia], Series D (Jakarta: Biro Pusat Statistik, 1975), p. 23. For B: Ibid., p. 25; *Penduduk Luar Jawa: Hasil Registrasi Penduduk 1975* [Population of outer islands: Results of 1975 population registration] (Jakarta: Biro Pusat Statistik, 1977), pp. 1–3; *Ringkasan Penduduk Indonesia Menurut Propinsi dan Pulau 1976* [Summary of Indonesian population in 1976 by province and island] (Jakarta: Biro Pusat Statistik, 1979), p. 19. For C: $A \times (1 + 0.01B)^2$. For D: *Penduduk Luar Jawa*, pp. 85–87; *Ringkasan Penduduk Indonesia*, pp. 21, 75. For E: C + D.

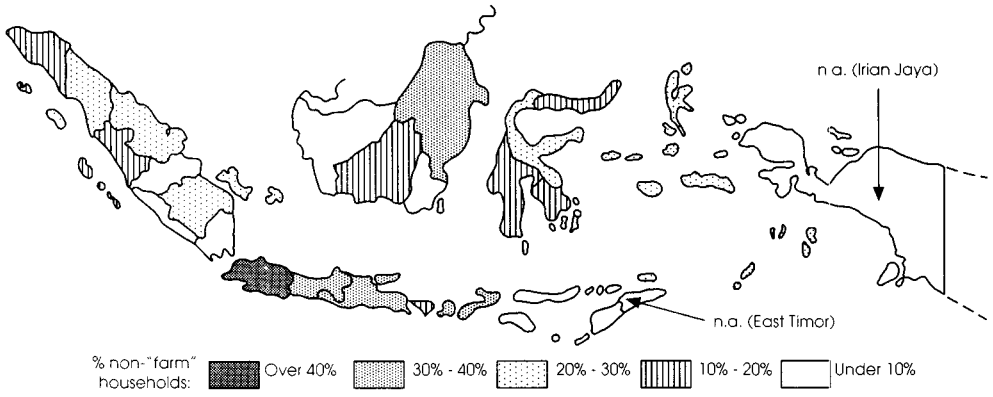
Table 2. Estimated Number of Nonpeasant Rural Households by Province, 1973

Province	E: No. rural households x 1,000	F: No. peasant households x 1,000	G: No. non-peasant households x 1,000	H: % non-peasant households
1. Greater Jakarta	—	—	—	—
2. West Java	4,549.8	2,468.3	2,081.5	45.7
3. Central Java	4,205.7	2,765.9	1,439.8	34.2
4. Yogyakarta	451.4	343.6	107.8	23.9
5. East Java	4,899.1	3,066.2	1,832.9	37.4
Java & Madura	14,140.3	8,644.0*	5,496.3	38.9
6. Aceh	408.8	353.2	55.6	13.6
7. North Sumatra	1,047.2	816.4	230.8	22.0
8. West Sumatra	484.3	426.5	57.8	11.9
9. Riau	268.1	199.1	69.0	25.7
10. Jambi	151.6	143.0	8.6	5.7
11. South Sumatra	503.7	377.4	126.3	25.1
12. Bengkulu	89.6	84.7	4.9	5.5
13. Lampung	484.0	446.8	37.2	7.7
Sumatra	3,437.2	2,847.1	590.1	17.2
14. West Kalimantan	273.4	273.5	-0.1	-0.0
15. Central Kalimantan	124.9	100.3	24.6	19.7
16. South Kalimantan	283.1	257.8	25.3	8.9
17. East Kalimantan	86.6	57.6	29.0	33.5
Kalimantan	778.8	689.2	89.6	11.5
18. North Sulawesi	254.7	217.7	37.0	14.5
19. Central Sulawesi	166.5	132.1	34.0	20.7
20. South Sulawesi	782.3	648.7	133.6	17.1
21. Southeast Sulawesi	126.0	102.7	23.3	18.5
Sulawesi	1,328.4	1,101.2	227.2	17.1
22. Bali	371.0	305.2	65.8	17.7
23. West Nusa Tenggara	454.5	281.2	173.3	38.1
24. East Nusa Tenggara	400.9	365.5	35.4	8.8
25. Maluku	162.4	119.8	42.6	26.2
26. Irian Jaya	—	—	—	—
Indonesia	21,562.0	14,353.0*	7,209.0	33.4

*Excluding Greater Jakarta.

Sources: For F: *Sensus Pertanian 1973: Pertanian* [1973 agricultural census: Agriculture], vol. 1 (Jakarta: Biro Pusat Statistik, 1976), p. 1. For G: E – F. For H: (G ÷ E) x 100.

FIGURE 2 - DISTRIBUTION OF NON-"FARM" HOUSEHOLDS BY PROVINCE



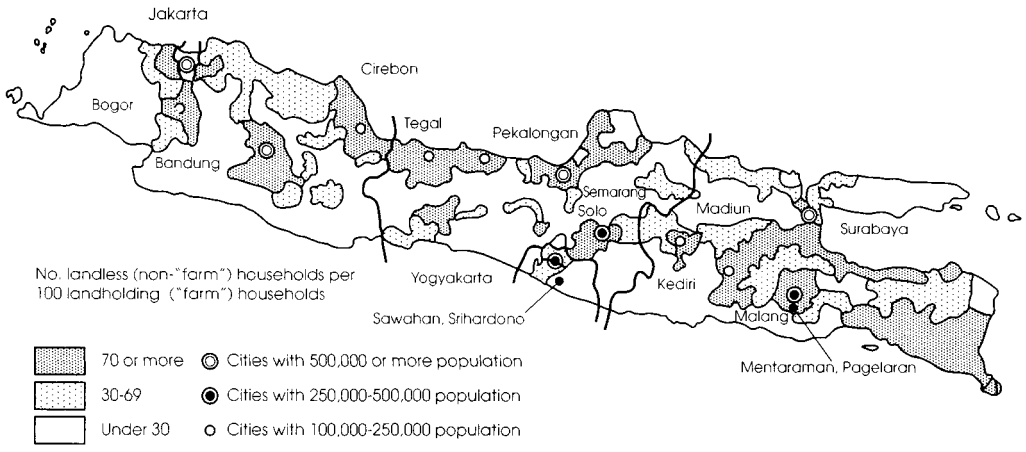
It can be assumed from the above observations that landless peasant households are most widespread, and the attendant problems most serious, on Java. The geographical distribution of such households on Java is considered next.

Geographical Distribution on Java

Unfortunately it is impossible at present to make a detailed estimate of regional differences in the percentage of landless peasant households on Java using the method described above. The 1973 agricultural census data were calculated only for the provincial level, with no indication of the number of "farm" households for regencies or smaller administrative units. Significant related data, however, were obtained from a distribution map of the percentage of landless households in *The Population Distribution on Java, 1971*, by Kurt Horstmann and Werner Rutz.[8] Judging from the authors' comments, the values given were calculated from unpublished census data (totals for the *kecamatan*, or district, level) obtained from the Central Bureau of Statistics. Unfortunately the original data are not included in the work, the term "landless household" is not clearly defined, and the method

[8] Kurt Horstmann and Werner Rutz, *The Population Distribution on Java, 1971* (Tokyo: Institute of Developing Economies, 1980). In addition to the English term "landless households," the authors use the Indonesian term *rumah tangga bukan tani* (non-farm household).

FIGURE 3 - DISTRIBUTION OF LANDLESS HOUSEHOLDS ON JAVA



Source: Adapted from map 5 in Kurt Horstmann and Werner Rutz, The Population Distribution on Java, 1971 (Tokyo: Institute of Developing Economies, 1980).

of calculation is not described.[9] Despite these drawbacks, these are probably the only published data on regional differences in the percentage of landless households and as such are too valuable to ignore.

My modified, more easily read, version of a map in the Horstmann-Rutz book (figure 3) illustrates clearly the wide regional disparity in the percentage of landless households and the complexity of their geographical distribution. Areas with an unusually high percentage of landless households include, in West Java, a long narrow strip running north to south from Jakarta through Bogor to Sukabumi (designated A in the figure), the area around Bandung (B), and the area along the north coast from Indramayu to Cirebon (C); in Central Java, the western part of the north coast around Tegal and Pekalongan (D), a belt to the east and west of Semarang (E), an area from the south coast inland to the vicinity of Banyumas (F), and a belt from Klaten to Solo (G); in East Java, the area around Madiun (H), the area along the central and lower reaches of the Brantas River from Blitar through Kediri and Mojokerto to the south side of Surabaya (I), the area around Malang (J), a belt along the north coast from Pasuruan to Probolinggo (K), and the southern part of the eastern end of the island from Lumajang through Jember to Banyuwangi (L). Areas

[9] The estimated percentages of landless households are given only for the provincial level: West Java 45.1 percent, Central Java 23.1 percent, Yogyakarta Special Region 18.0 percent, and East Java 42.6 percent. Ibid., p. 59.

with an unusually low percentage of landless households include the western end of West Java (the Banten area), the mountainous area of Priangan (including the south coast), the central mountainous region of Central Java, the central and lower reaches of the Solo River from Central to East Java as well as the southern hilly region, and most of Madura Island. These areas all lack a reliable source of sufficient water for wet rice field irrigation.

Areas surrounding urban centers with populations of more than one million, such as Jakarta, Bandung, and Surabaya, and with populations of more than 400 thousand, such as Semarang, Solo, and Malang, are among the areas with high percentages of landless peasant households (A–L above). Since people from such areas can commute to jobs in the city, landownership may be relatively unimportant as a source of income. Consequently, percentages for these areas may include a large proportion of households that do not actually fall into the category of peasant. Aside from these exceptions, however, the majority of landless households shown in figure 3 are dependent upon some form of agriculture, whose exact nature may be quite varied.

Having broadly determined their geographical distribution, we must next determine why landless peasant households exist, especially in such large numbers and percentages, and what factors and mechanisms govern their occurrence and existence. A theoretical approach based on data is extremely difficult at this stage of the development of research, and unsuited to a limited paper of this kind. However, an attempt to form rough hypotheses using the available data is essential for the further development of such research. Accordingly, in the next section I will suggest possible factors governing the occurrence and existence of landless peasant households before embarking on the analysis of actual case studies.

2. Factors Governing the Occurrence and Existence of Landless Peasant Households

Hypothetical Factors

The factors governing the occurrence and those governing the existence of landless peasant households have separate and distinct characteristics. The former concern the historical origins and causes of landless households, whereas the latter concern the causes of and the mechanisms governing their present existence and perpetuation. The latter are more pertinent to the analysis of conditions in modern rural society. However, although the former are more suited to historical research, to conclude that the two types of factors have no theoretical relationship whatsoever would be too restrictive. If we believe that the proposition that ontogeny repeats phylogeny holds true to some extent in this context as well, we should regard the two types of factors as related. For this reason factors related to the historical occurrence of landless peasant households will be considered to a limited extent in identifying possible factors governing their present existence.

The first factor that must be considered is the demographic one. In regions with a high man-land ratio (a high ratio of population to the area of cultivated land), such as the lowland rural areas of Java, population pressure is one probable factor behind the existence of a high percentage of landless peasant households. Where the cultivated area is limited and there is no unused land to be developed, some households will be unable to bequeath land to all their children even if the custom

of equal inheritance is retained in one form or another. Descendants of the resulting landless households will then perpetuate the existence of a landless class.

A second factor is the disintegration of the peasant stratum (in this case the existence of an established feudal peasantry or of independent peasants is not a prerequisite) through the expansion of a commodity economy, resulting in an increasing number of peasant households that forfeit their land, mainly through sale, and the perpetuation of their landless state through successive generations. If government measures to protect peasants are not introduced and no other circumstances intervene, disintegration will increase in proportion to the number of peasant households that become directly involved in a commodity economy. This factor in the occurrence of landless peasant households will be termed the economic factor (in the narrow sense of the term).

A third factor that must be considered is the existence of households that, although they will be landowning in future, have become temporarily landless because of the customs of land inheritance and the household's present position in the family. This category includes newly married couples who have established independent households but are not yet eligible to receive land from their parents. Household income is derived from working their parents' land, but eventually they will either inherit land or obtain cultivated land elsewhere, becoming landowners in their own right. This category also includes the opposite case, in which an elderly landowner may cede his land to his children when he becomes too old to work it, living off his savings or relying on his children for support. (How common these types of households are on Java, with its extremely high man-land ratio and stringent allotment of land resources, is open to question, however.) This factor—which I will call the sociological factor—must be included to cover all the possible factors governing the occurrence and existence of landless peasant households.

There is one other factor that, although it represents a slight digression from the main subject of study, cannot be ignored in considering the historical causes of landless peasant households. This is the possibility of the existence of a large number of landless households even in the remote past (this could be many centuries ago) independently of the above three factors, because of specific historical circumstances. Historical research so far is insufficient to indicate whether such circumstances existed in Indonesia. However, judging from the data for the early twentieth century discussed below, it is highly probable that the percentage of landless households then was equal to or even greater than that today.

The cause of this phenomenon is as yet unknown. If it is rooted in an even earlier period, it would be enlightening to identify the type of landless household of that time and the mechanism by which it was perpetuated, as well as whether it has any genealogical connection with today's landless peasant stratum. However, even should a large number of landless households be discovered to have existed in the past, and even should a genealogical connection be proved to exist between them and present-day landless households, this in itself would not explain the existence of landless households today but would only provide a historical theory for their occurrence in the past. The historical occurrence of landless peasant households will be referred to as the historical factor.

Hereafter the discussion of the occurrence and existence of landless peasant households will be limited to the context of the above four factors. The probability of a considerable amount of overlap among these factors must be borne in mind during the analysis of specific cases. Moreover, at present it is impossible to extract the

sociological and historical factors or determine their presence or degree of influence in investigations based on statistical data from the national/regional level, whatever the case for case studies at the village level or for archival research. Accordingly, this study concentrates on statistical investigation of the demographic and economic factors.

Population Pressure

The first step in determining the relationship between the existence of landless peasant households and population pressure is to identify any correlation there may be between the percentage of landless peasant households and the man-land ratio for each province, using statistics from national surveys. The percentage of non-"farm" households already calculated are substituted for the percentage of landless peasant households, and a convenient approximate value is substituted for the man-land ratio, since statistics on the cultivated area in each province are unavailable. The cultivated area in each province listed in the 1973 agricultural census, divided by the estimated rural population of each province in 1973, is considered to represent the cultivated area per person in each rural area and will be used as an indicator of the man-land ratio. The values calculated for each province are presented in column I of Table 3. Owing to differences in population density and in the degree of intensive agriculture practiced, there are noticeable differences among the islands as well as among the provinces on each island. The difference between Java and the outer islands is especially marked.

Figure 4 shows the distribution of the numerical values for the twenty-four provinces (all but Greater Jakarta and Irian Jaya) in relation to two variables: the per capita cultivated area of the rural population, represented by the horizontal axis, and the percentage of non-"farm" households, represented by the vertical axis. Excluding Central Kalimantan (on the far right of the graph), which has a disproportionately high ratio of per capita cultivated area, the figure reveals a fairly even distribution, indicating the existence of a relatively distinct negative correlation between the two coordinates. The coefficient of correlation for the two (expressed as a one-dimensional linear regression in the figure) is $r_{HI} = -0.4277$. Although this value is low, it does not rule out a possible correlation. A significantly higher coefficient of correlation, $r_{HI} = -0.8167$, is obtained for the ten provinces (the four provinces of Java, North Sumatra, West Sumatra, Lampung, South Kalimantan, North Sulawesi, and Bali; indicated by white circles in figure 5) that form the commercial rice production areas, where the average chemical fertilizer input for production of one ton of rice exceeds 500 rupiah. (The significance of this figure is explained below.) About 80 percent of the total rural population is concentrated in these ten provinces.

From the above observations, it is apparent that the percentage of landless peasant households is higher in provinces with higher man-land ratios and that the relationship between these two factors is more pronounced in commercial rice-growing areas that support large populations.

The next step in identifying the relationship between the above factors is a more detailed study of Java, which has the highest percentage of non-"farm" households, observing the relationship in areas smaller than provinces. As already mentioned, statistics are unavailable. However, valuable information can again be gleaned from the work by Horstmann and Rutz cited above. Figure 5 is a slightly modified reproduction of a map from that source showing population

Table 3. Per Capita Cultivated Area and Chemical Fertilizer and Wage Labor Input per Ton of Rice by Province

Province	H: % non-"farm" households (1973)	I: Rural population per capita cultivated area (ares; 1975)	J: Chemical fertilizer input per ton dry stalked rice (rupiah; 1975)	K: Labor investment per ton dry stalked rice (rupiah; 1975)
1. Greater Jakarta	—	—	—	—
2. West Java	45.7	7.79	1,565	6,262
3. Central Java	34.2	8.80	1,483	5,524
4. Yogyakarta	23.9	8.53	1,646	6,660
5. East Java	37.4	9.07	1,602	6,116
Java & Madura	38.9	8.56	1,567	6,043
6. Aceh	13.6	19.18	318	1,009
7. North Sumatra	22.0	14.08	878	2,828
8. West Sumatra	11.9	14.37	1,547	4,287
9. Riau	25.7	34.14	0	1,974
10. Jambi	5.7	31.91	n. a.	n. a.
11. South Sumatra	25.1	26.29	341	4,095
12. Bengkulu	5.5	31.27	219	3,576
13. Lampung	7.7	24.64	826	4,414
Sumatra	17.2	20.88	n. a.	n. a.
14. West Kalimantan	0.0	51.96	303	2,213
15. Central Kalimantan	19.7	79.70	0	898
16. South Kalimantan	8.9	20.76	652	4,719
17. East Kalimantan	33.5	18.89	0	2,479
Kalimantan	11.5	43.02	n. a.	n. a.
18. North Sulawesi	14.5	24.39	817	6,987
19. Central Sulawesi	20.7	31.03	106	3,126
20. South Sulawesi	17.1	16.73	416	2,909
21. Southeast Sulawesi	18.5	21.76	0	2,602
Sulawesi	17.1	20.43	n. a.	n. a.
22. Bali	17.7	13.59	959	3,709
23. West Nusa Tenggara	38.1	13.76	246	2,823
24. East Nusa Tenggara	8.8	28.98	0	1,466
25. Maluku	26.2	25.66	n. a.	n. a.
26. Irian Jaya	—	—	—	—
Indonesia	33.4	13.86	1,231	5,043

Sources: For H: (G + E) x 100. For I: A x $(1 + 0.01B)^2$; *Sensus Pertanian 1973*, vol. 1, p. 1. For J, K: *Survey Pertanian: Januari-April 1975* [Agricultural survey: January-April 1975] (Jakarta: Biro Pusat Statistik, 1976), pp. 1-25.

FIGURE 4 - RURAL POPULATION PER CAPITA CULTIVATED AREA AND PERCENTAGE OF NON-"FARM" HOUSEHOLDS

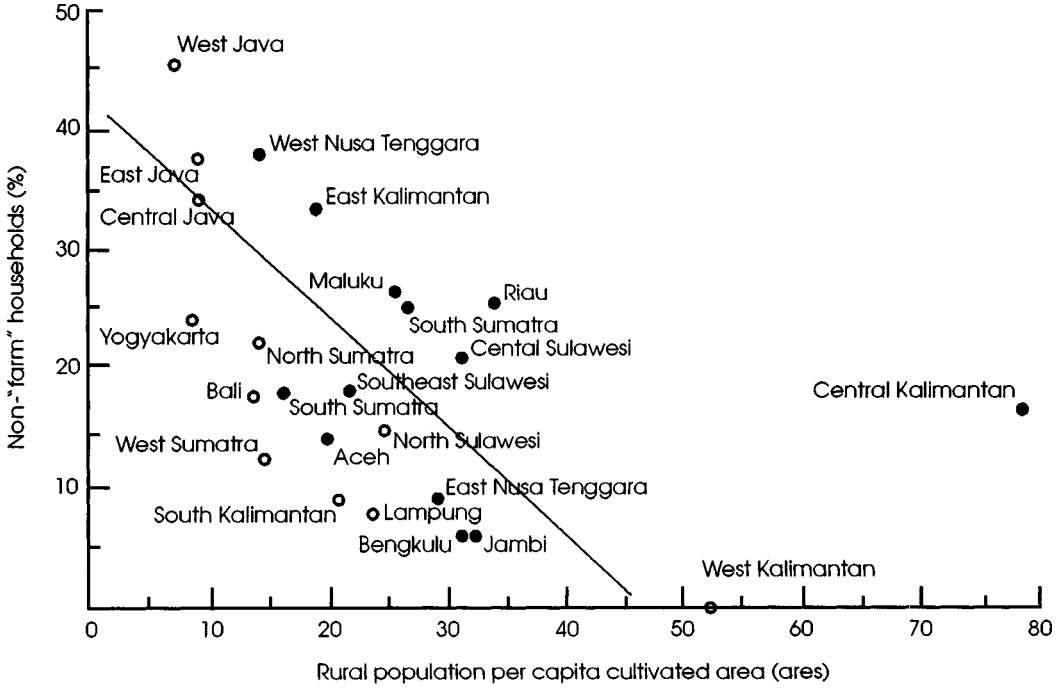
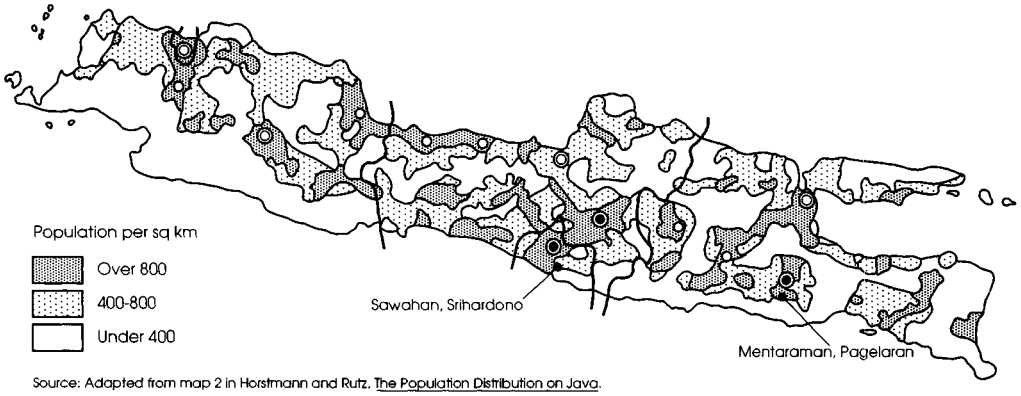


FIGURE 5 - POPULATION DENSITY DISTRIBUTION ON JAVA



Source: Adapted from map 2 in Horstmann and Rutz, The Population Distribution on Java.

density distribution on Java. When compared with figure 3, considerable overlap is evident between areas with a high percentage of landless peasant households and areas of high population density. This trend is especially evident in such areas as West Java, the north coast of Central Java from Tegal to Pekalongan, Central Java in the vicinity of Solo, and East Java along the Brantas River.

Two exceptions are the south coast of Central Java, where the percentage of landless peasant households is low despite a high population density, and the eastern end of East Java, which has a high percentage of landless peasant households despite a low population density. Excluding these two areas, however, a clear correlation exists between the percentage of landless peasant households and population pressure on Java. It can therefore be assumed that the demographic factor is involved in the existence of landless peasant households. However, this does not automatically indicate a direct cause-and-effect relationship between the two, for, if a high or low degree of population pressure is stipulated as a causal factor in a high or low percentage of landless peasant households, then the percentage of such households should logically have been lower in the past, when population pressure was less severe than it is today. Extant historical data seem to contradict this assumption, however. These data, presented in Tables 4 and 5 with some modification and reorganization for easier analysis, were obtained from an appendix to the report on a survey on the decline in welfare conducted by the Dutch colonial government at the beginning of this century.

Table 4 presents the values in the report for holders of cultivated lands (*bezitters van bouwgronden*), holders of compounds and gardens (*bezitters van erven en tuinen*), and working men without land (*werkbare mannen niet in het bezit van grond*) in each residency (*residentie*: an administrative unit between the present-day province and regency in size) of Java (excluding the principalities), as well as my calculations of the total values for these three items and their percentages. These data indicate that a large landless stratum already existed in Java in the early twentieth century.

It should be noted that the percentages are only relative criteria and do not represent actual numerical values. The original document does not give a clear definition of the above three categories, and it is therefore unclear whether the first two categories refer only to heads of household or whether they also include non-heads of household or women. Moreover, there is no indication whether the third category, working men without land, includes non-heads of household, nor is there any definition of the term "working men." Accordingly, it is difficult to ascertain how much significance to attach to the totals and percentages calculated for the three categories. They remain merely relative values, and direct comparison of these with the percentages of non-"farm" and landless peasant households calculated up to this point would be misleading.

Data from the report are selected, modified, and reorganized in Table 5 to provide a more reliable comparison. Abandoning any attempt at direct estimation of the number of landless households, I have compared the number of landholding households (holders of cultivated lands) in each area with the total number of households (*aantal huisgezinnen*)—at that time, when the degree of urbanization was low, no distinction was made between rural and urban—and have calculated the percentage of the former (B) in the latter (A). Of course some problems remain, since the former may include non-heads of household. However, theoretically it is impossible for the number of holders of cultivated lands to be smaller than the

Table 4. Estimated Population of Working Men Without Land, 1903

Region	A: Holders of cultivated lands	B: Holders of compounds & gardens	C: Working men without land	Total (A + B + C)
Banten	141,997 (77.4)	15,526 (8.5)	25,851 (14.1)	183,374 (100.0)
Batavia	35,345 (49.1)	12,776 (17.8)	23,810 (33.1)	71,931 (100.0)
Preanger regencies	195,761 (28.3)	191,561 (27.7)	303,850 (44.0)	691,172 (100.0)
Cirebon	192.841 (53.3)	59,625 (16.5)	109,154 (30.2)	361,620 (100.0)
Banyumas	126,579 (28.7)	52,302 (11.9)	262,186 (59.4)	441,067 (100.0)
Pekalongan	172,767 (35.1)	100,158 (20.4)	219,021 (44.5)	491,946 (100.0)
Semarang	336,272 (68.1)	84,902 (17.2)	72,762 (14.7)	493,936 (100.0)
Kedu	283,834 (48.6)	72,200 (12.4)	228,065 (39.0)	584,099 (100.0)
Madiun	130,135 (43.5)	59,022 (19.7)	109,975 (36.8)	299,132 (100.0)
Rembang	197,290 (64.7)	30,632 (10.0)	76,949 (25.2)	304,871 (100.0)
Surabaya*	191,014 (48.6)	63,352 (16.1)	138,894 (35.3)	393,260 (100.0)
Madura	269,421 (67.5)	47,605 (11.9)	81,961 (20.5)	398,987 (100.0)
Kediri**	113,110 (37.7)	81,426 (27.2)	105,240 (35.1)	299,776 (100.0)
Pasuruan	181,880 (45.5)	112,046*** (28.0)	105,583 (26.4)	399,509 (100.0)
Besuki	117,866 (65.1)	27,543 (15.2)	35,695 (19.7)	181,104 (100.0)
Total	2,686,112 (48.0)	1,010,676 (18.1)	1,898,996 (33.9)	5,595,784 (100.0)

Figures in parentheses represent %. *Excluding Grisse Division. **Excluding Tulungagung Division. ***This figure represents the total no. men doing corvée labor minus the total no. holders of cultivated lands.

Source: *Onderzoek naar de Mindere Welvaart der Inlansche Bevolking op Java en Madoera* IX-C, "Overzicht van de Uitkomsten der Gewestelijke Onderzoekingen naar de Economie van de Desa en daaruit gemaakte gevolgtrekkingen" Deel III (Bijlagen van 't eigenlijk overzicht), Bijl. 12, pp. 178-85.

Table 5. Estimated Number of Landholding Households, 1903, 1905

Region	A: No. households (1905)	B: No. holders of cultivated lands (1903)	B ÷ A (%)	C: Population (1905)	D: Total area of cultivated lands (*bau;* 1903)	D ÷ C (*bau*)
Banten	222,293	141,997	63.9	815,908	136,253	0.167
Batavia	75,136	35,345	47.0	344,628	80,291	0.233
Preanger regencies	642,868	195,761	30.5	2,681,962	n. a.	——
Cirebon	355,914	192,841	54.2	1,531,593	286,843	0.187
Banyumas	278,970	126,579	45.4	1,478,110	221,788	0.150
Pekalongan	373,881	172,767	46.2	1,969,442	299,597	0.152
Semarang	547,383	336,272	61.4	2,571,402	532,252	0.207
Kedu	461,115	283,834	61.6	2,322,987	409,804	0.176
Madiun	246,213	130,135	52.9	1,342,796	262,386	0.195
Rembang	286,786	197,290	68.8	1,477,188	281,745	0.191
Surabaya	476,295	245,097	51.5	2,395,618	357,614	0.149
Madura	424,811	269,421	63.4	n. a.	350,842	——
Kediri*	238,496	113,110	47.4	1,409,801	181,659	0.129
Pasuruan	433,936	181,880	42.9	2,001,554	227,995	0.114
Besuki	224,371	117,866	52.5	966,472	191,113	0.198
Total	5,278,468	2,740,195	51.9	20,976,375**	3,519,340**	0.168**

*Excluding Tulungagung Division. **Excluding Preanger regencies and Madura.

Source: *Onderzoek naar de Mindere Welvaart der Inlandsche Bevolking op Java en Madoera* IX-G, "Overzicht van de Uitkomsten der Gewestelijke Onderzoekingen naar de Economie van de Desa en daaruit gemaakte gevolgtrekkingen" Deel III (Bijlagen van 't eigenlijk overzicht), Bijl. 1, pp. 2-7; Bijl. 12, pp. 178-85.

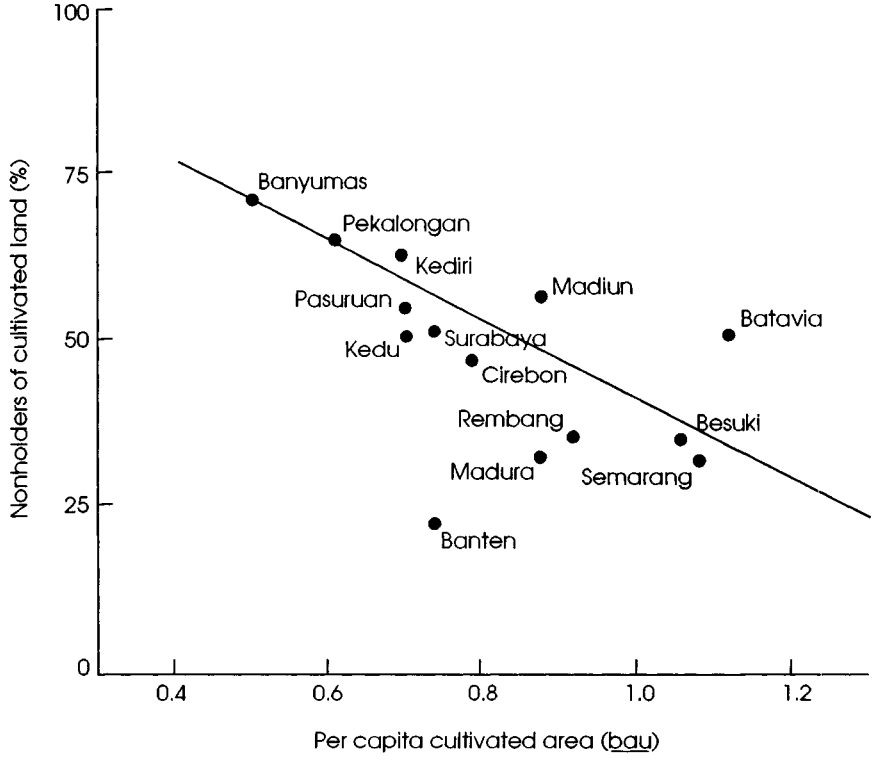
total number of landholding households. It can therefore be assumed that the actual percentage of landholding households is the same as, or less than, the value of B ÷ A presented in Table 5.

Since the average value of B ÷ A calculated for all of Java is 51.9 percent, the percentage of landholding households can be estimated at slightly more than 50 percent at most, while the percentage of landless households must be almost 50 percent *at least*. This value is quite high in comparison with the estimated percentage of landless households in present-day rural Java. The question is whether this value does in fact indicate that the percentage of landless households was for some reason even greater in the colonial period than it is today, in the post-independence period. This question obviously exceeds the scope of the present paper, requiring as it does a study of the structural changes in rural Java over the past century. The data do, however, clearly indicate that it is impossible to stipulate a simple direct functional relationship between the fluctuation in the percentage of landless households over a long period of time and changes in population pressure.

On the other hand, if population pressure and the percentage of landless households are compared for a specific period, a fairly clear correlation between the two is seen, as shown in the data from the beginning of this century. This correlation is illustrated in figure 6, with the values for per capita cultivated area from table 5 (D ÷ C) represented by the horizontal axis, and those for B ÷ A represented by the vertical axis. In general, the percentage of landholding households is

higher, and thus the percentage of landless households is lower, in areas where the per capita cultivated area is high. The coefficient of correlation for the two variables is r = –0.4217.

FIGURE 6 - PERCENTAGE OF NONHOLDERS OF CULTIVATED LAND AND PER CAPITA CULTIVATED AREA, 1903, 1905



Commoditization of the Peasant Economy

Quantitative analysis of the economic factor is even more difficult. Theoretically, it is possible to arrive at an estimate by studying the degree of commoditization of the peasant economy in each area and determining whether a correlation exists between this and the percentage of landless households. Unfortunately, statistics that can be applied directly to such an analysis are unavailable. The average rate of commoditization of agricultural products in each area, for example, would be an excellent indicator of the production of the peasant economy. Such figures cannot be obtained, however, owing to insufficient data. The subject must therefore be approached from the opposite perspective of commercial input in the peasant economy, using two indicators. The first is the average amount of chemical fertilizer used to produce a fixed amount of rice. In Indonesia, the percentage of total production cost, including the nonmonetary portion, represented by expenditure on chemical fertilizer is rather small. However, chemical fertilizer represents an important item of expenditure in terms of the monetary portion of production cost. The second indicator is the average amount of wage labor utilized to produce a fixed amount of rice. Because of the possibility that wages in kind converted to monetary values are included in the data, the suitability of wage labor input as an indicator is question-

able. However, because the cost of wage labor generally constitutes a high percentage of total production cost, this factor cannot be ignored in determining the degree of commoditization of the peasant economy.

With these reservations in mind, the above two indicators were calculated for each province on the basis of data from the 1975 agricultural survey published by the Central Bureau of Statistics, and the results are presented in columns J and K of Table 3. (No data are provided for the provinces of Jambi and Maluku.) Input of both chemical fertilizer and wage labor is much higher on Java than on the outer islands. Provinces on the outer islands with high chemical fertilizer input (over 500 rupiah per ton of dry stalked rice) include North Sumatra, West Sumatra, Lampung, South Kalimantan, North Sulawesi, and Bali, while those with high wage labor input (over 3,000 rupiah per ton of dry stalked rice) include West Sumatra, South Sumatra, Bengkulu, Lampung, South Kalimantan, North Sulawesi, Central Sulawesi, and Bali. The ten provinces in which chemical fertilizer input exceeds 500 rupiah (the above six provinces on the outer islands and the four provinces of Java) will be considered the main commercial rice production areas, with relatively high rates of commoditization of the peasant economy. In figures 7 and 8 the horizontal axis represents chemical fertilizer and wage labor input, respectively, while the vertical axis represents the percentage of non-"farm" households. The white circles indicate the ten provinces that constitute the commercial rice production areas; the black circles represent the remaining twelve provinces.

FIGURE 7 - CHEMICAL FERTILIZER INPUT PER TON OF RICE AND PERCENTAGE ON NON-"FARM" HOUSEHOLDS

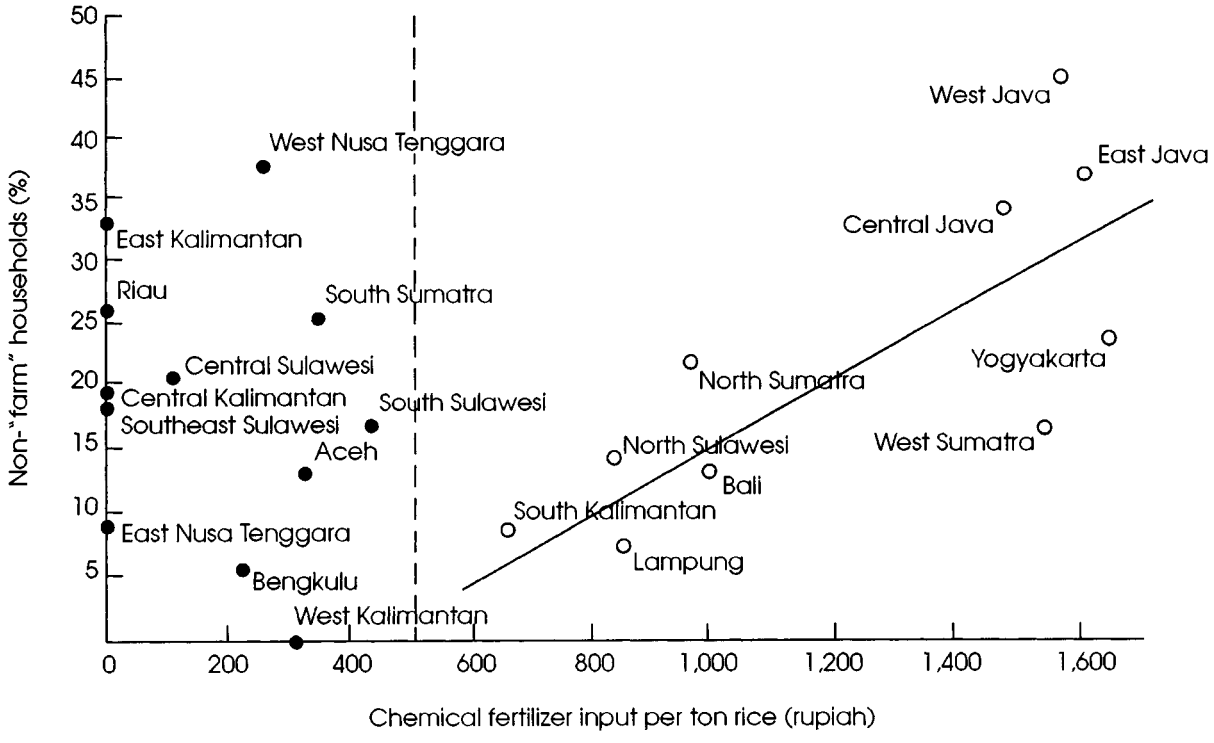


FIGURE 8 - WAGE LABOR INPUT PER TON OF RICE AND PERCENTAGE OF NON-"FARM" HOUSEHOLDS

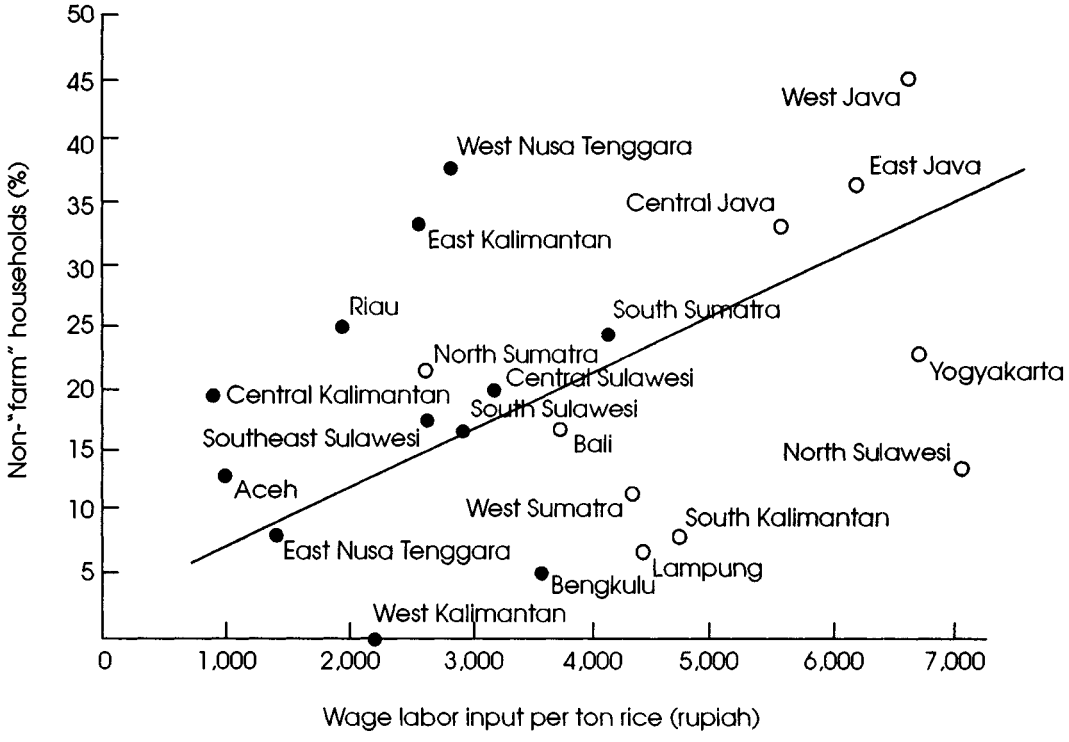


Figure 7 reveals an interesting point. Little apparent correlation exists between the amount of chemical fertilizer input and the number of non-"farm" households in the twelve provinces with chemical fertilizer input of less than 500 rupiah, whereas a fairly clear correlation is seen in the ten provinces making up the commercial rice production areas. The coefficient of correlation for all twenty-two provinces is only $r_{HJ} = +0.2457$, while that for the ten provinces of the commercial rice production areas is fairly high, $r_{HJ} = +0.6890$. Scrutiny of columns I and J in Table 3 reveals that these ten provinces correspond to the areas with the least per capita cultivated area (seven of the ten provinces rank in the ten provinces with the least per capita cultivated area).

To summarize the above statistical observations, the percentage of landless households is generally higher in areas with high population pressure, these areas generally have a higher level of commoditization of the peasant economy, and they show a marked correlation between the rate of commoditization of the peasant economy and the percentage of landless households. This suggests that at least two factors govern the existence of landless peasant households in present-day Indonesia. The primary factor is the high man-land ratio, with stratification arising from commoditization of the peasant economy representing a secondary factor.

With these observations in mind, let us examine actual patterns of landless peasant households on Java through case studies at the village level.

3. Case Studies of Landless Peasant Households on Java

Introduction

An increasing number and variety of case studies of villages on Java are being conducted. Many touch upon the problem of land ownership in rural areas, but few offer data or information directly relevant to the research objectives addressed here. A paper by W. L. Collier, Soentoro, and Irna Soetomo Basuki published in 1979 is a valuable reference, utilizing as many data as possible from earlier case studies of rural Java.[10] Table 6 presents data on the percentage of landless households in twenty-four villages discussed in that paper. The percentages of village households that do not possess land clearly do not take into account ownership of land outside the village. The resulting figures are thus likely to be higher than the percentages calculated according to the method I have used. Even allowing for this possibility, however, the data indicate a high percentage of landless households in villages on Java. Moreover, there is a distinct difference between the percentage

Table 6. Population Density and Percentage of Landless Households in Twenty-four Villages on Java

Type	Village	Province & year surveyed	Regency	Population per sq km	Households with no cultivated land in the village
Lowlands	1. Sungunlegowo	East Java, 1977	Gresik	331	44.7
	2. Gemarang	East Java, 1977	Ngawi	605	63.2*
	3. Sumberrejo	East Java, 1976	Pasuruan	1,143	48.8
	4. Glanggang	East Java, 1972?	?	1,252	82.0*
	5. Bangsri	Central Java, 1977	Tegal	615	11.4
	6. Klampis	Central Java, 1977	Tegal	1,014	24.8
	7. Balapulang Wetan	Central Java, 1977	Tegal	4,264	88.9
	8. Kebunan	Central Java, 1977	Tegal	1,317	43.0
	9. Blimbing	Central Java, 1977	Tegal	978	33.2
	10. Karangdawa	Central Java, 1977	Tegal	1,738	70.0
	11. Kalipucang Kulon	Central Java, 1977	Tegal	1,223	66.7
	12. Miri	Yogyakarta1970	Bantul	1,290	36.6
	13. Parigi	West Java, 1958?	Serang	556	66.7*
	14. Tegalwangi	West Java, 1969	Pandeglang	347	10.0
	15. Amansari	West Java, 1976	Karawang	1,331	65.4*
	16. Kraton	East Java, 1977	Lumajang	754	60.0
	17. Umbulrejo	East Java, 1977	Jember	980	45.4
	18. Mangkang Wetan	Central Java, 1978	Semarang	1,154	82.7
	19. Sidogemak	Central Java, 1976	Demak	543	62.9
Highlands	20. Tamansari	East Java, 1977	Malang	355	1.2
	21. Harapan	Central Java, ?	?	2,822	5.1
	22. Ngliman	East Java, 1977	Nganjuk	935	5.0
Mountains	23. Petung	East Java, 1977	Trenggalek	254	1.2
	24. Poncokusumo	East Java, 1971	Malang	618	5.0

*Wet rice fields only.

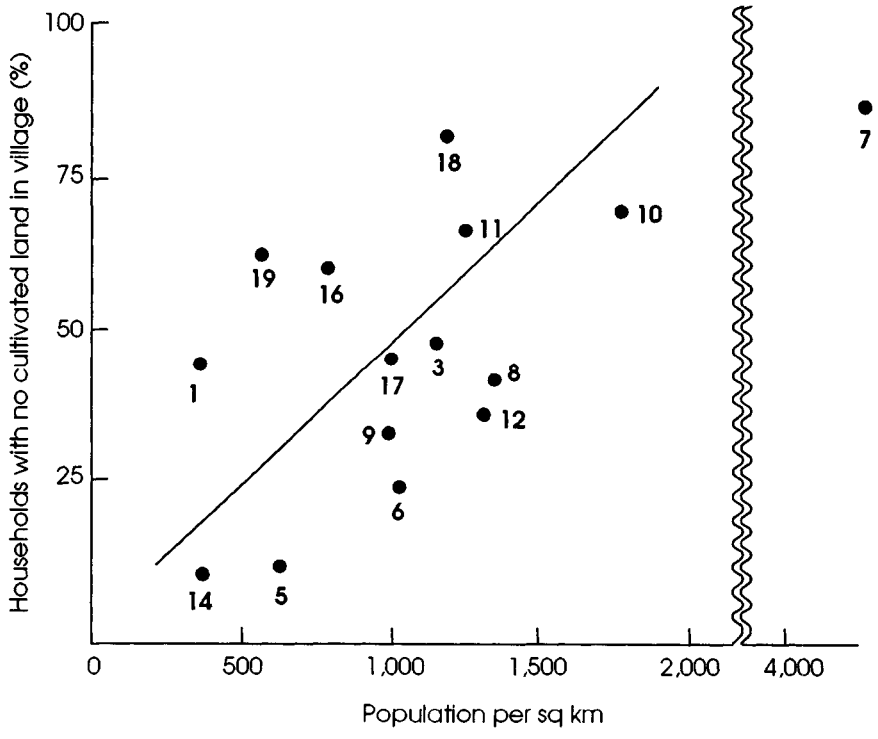
Source: W. L. Collier, Soentoro, and Irna Soetomo Basuki, "Pengamatan tentang Pemilikan serta Land Reform di Jawa" [A study of landownership and land reform on Java], *Prisma*, September 1979, pp. 20–21.

[10] W. L. Collier, Soentoro, and Irna Soetomo Basuki, "Pengamatan tentang Pemilikan serta Land Reform di Jawa" [A study of landownership and land reform on Java], *Prisma*, September 1979.

of households that own no cultivated land within the village in lowland areas and the percentage in highland or mountain areas, probably because of differences in agricultural production capacity and variations in the degree of commoditization of the peasant economy. This phenomenon warrants study.

Table 6 also provides the figure for population per square kilometer for each village, which enables us to consider the relationship between population pressure and the percentage of landless households. Data from fifteen villages (four for which there are insufficient data—2, 4, 13, and 15—are omitted) are plotted in figure 9, with population density represented by the horizontal axis and the percentage of households with no cultivated land in the village represented by the vertical axis. A fairly clear correlation between the two factors is evident (the coefficient of correlation is +0.5957). This underscores the need to consider population pressure in studying landless households.

FIGURE 9 - POPULATION DENSITY AND PERCENTAGE OF HOUSEHOLDS WITH NO CULTIVATED LAND IN FIFTEEN LOWLAND VILLAGES



No further insights can be gleaned from these data, however. Accordingly, below I examine the subject empirically, through an analysis of individual landless households in specific villages. The examples are taken from my research in the hamlet (*dukuh*) of Mentaraman in the village of Pagelaran, Malang Regency, East Java, in 1976, and in the hamlet (*pedukuhan*) of Sawahan in the village of Srihardono, Bantul Regency, Yogyakarta Special Region, in 1977.

Case Study A: Mentaraman, Pagelaran

The village of Pagelaran is almost thirty kilometers south of the city of Malang, which is located at the southern end of the upstream Brantas river basin. Although the village is situated 300 meters above sea level, its topography is fairly flat, so that it can be classified as a lowland village. Estimated population density is high, at 1,240 persons per square kilometer. The village's approximate location is shown in figures 3 and 5, along with that of Srihardono. As can be seen, Pagelaran is situated in the area with the highest percentage of landless households as well as the highest population density.

As described in another study,[11] rice, corn, and sugar cane, as well as *salak* (*Zalacca edulis* REINW), which is grown in the compounds, are the main agricultural products. Of these, sugar cane and *salak* are commercial crops, grown almost entirely for the external market. Moreover, sugar cane cultivation takes the form of smallholder cultivation (*tebu rakyat*) managed by the peasants themselves. The degree of commercialization of agricultural production, and consequently the degree of commoditization of the peasant economy, is thus very high. No economic activities other than agriculture and related commercial enterprises form a vital part of the village economy. The data that follow were obtained through intensive interviews of a random sample of 70 of the 253 households in Mentaraman, one of four hamlets making up the village.

The 70 households are classified in Table 7 according to scale of cultivated land owned (mostly wet-rice fields). There are 25 households without any cultivated land (referred to hereafter as landless households), representing almost 36 percent of all households. In Table 8 the 70 households are classified according to scale of cultivated area. Seven of the 20 households that have no cultivated area overlap with the 25 landless households. Applying the approach taken in the 1973 agricultural census, which designated households with cultivated area of at least 0.05 hectare as "farm" households, the number of non-"farm" households is 21, one more than the above 20, representing 30 percent of the 70 households.

Table 7. Ownership of Cultivated Land, by Size of Landholding, of Sample Households in Mentaraman, Pagelaran (Figures in parentheses represent %.)

Scale of holding (ha)	No. households	Size of holding (ha)
None	25 (35.7)	——
Under 0.2	10 (14.3)	1.32 (2.1)
0.2-0.4	11 (17.1)	3.02 (4.8)
0.4-0.6	4 (4.3)	1.87 (3.0)
0.6-1.0	8 (11.4)	6.07 (9.7)
1.0-2.0	5 (7.1)	5.57 (8.9)
2.0-5.0	5 (7.1)	13.00 (20.8)
5.0 or over	2 (2.9)	31.74 (50.7)
Total	70 (100.0)	62.59 (100.0)

Source: Hiroyoshi Kanō, *Paguraran: Tōbu Jawa no tomi to hinkon* [Pagelaran: Wealth and poverty in an East Java village] (Tokyo: Ajia Keizai Kenkyūsho [Institute of Developing Economies], 1975), p. 45.

[11] Hiroyoshi Kanō, *Paguraran: Tōbu Jawa nōson no tomi to hinkon* [Pagelaran: Wealth and poverty in an East Java village] (Tokyo: Ajia Keizai Kenkyūsho [Institute of Developing Economies], 1979).

Table 8. Size of Cultivated Area (Owned and Rented) of Sample Households in Mentaraman, Pagelaran (Figures in parentheses represent %.)

Scale of cultivated area (ha)	No. households	Size of cultivated area (ha)
None	20 (28.6)	——
Under 0.2	14 (20.0)	1.59 (4.0)
0.2-0.4	14 (20.0)	3.52 (8.8)
0.4-0.6	9 (12.9)	4.20 (1.05)
0.6-1.0	5 (7.1)	3.74 (9.4)
1.0-2.0	4 (5.7)	5.03 (12.6)
2.0-5.0	3 (4.3)	8.75 (22.0)
5.0 or over	1 (1.4)	13.00 (32.6)
Total	70 (100.0)	39.83 (100.0)

Source: Kanō, *Paguraran*, p. 82.

This hamlet is characterized by a large number of landless, or non-"farm," households, with land and actual cultivated area concentrated in the hands of a few households. More than half the land owned by the entire 70 households belongs to just two households, one of which owns 26 hectares. Just four households manage more than half the cultivated area. The disparities in the strata of landownership are thus extremely large. Accurate analysis of this phenomenon is hampered by lack of time-series data. However, as I have discussed in another study,[12] there is a strong possibility that development of commercial agriculture and commoditization of land were prime factors in the development of this stratification.

With these points in mind, various characteristics of the 25 landless households are presented in Table 9. The majority of heads of household (all except the heads of households 4, 9, 12, and 25) are married and are between the ages of thirty and fifty. Except for households 4 and 24, whose heads, although married, live on their fathers' land in separate dwellings, none of the households fall into the category of temporary landlessness arising from the household's position in the family. It is therefore assumed that the sociological factor has had little influence on the occurrence of landless households in this village. Moreover, 10 of the 25 households do not even own a compound (*pekarangan*). All 10 live in houses built on others' land,[13] 5 of them on the land of relatives. Their homes are plain, with little furniture, and it is obvious to the casual observer that these households represent the poorest stratum in the village.

From what do these households derive their livelihood? The answer is provided by the data in the four columns of Table 9 concerning cultivated area, agricultural wage labor, income derived from agricultural activities other than cultivation, and nonagricultural income. The column on cultivated area reveals that 18 of the 25 households, or 72 percent, are tenant farmers. Although the size of the tenant farms varies greatly, ranging from 7 ares to 75 ares, all are quite small. Moreover, 16 of the 18 households are referred to as *kedhok* workers,[14] a distinctive

[12] Ibid., pp 59–63, 182–86.

[13] This is known as *nunut* in the local Javanese dialect (*numpang* in the standard Javanese of Central Java).

[14] A suffix is sometimes added, making it *kedhokan* (*kedokan* in modern Indonesian orthography).

Table 9. Landless Households in Mentaraman, Pagelaran

	Head of household		Spouse[a]	No. family members	Cultivated area		Compound		Agricultural wage labor[c]	Major sources of other agricultural income[d]	Nonagricultural income
	Age	Sex			Ares	Type of tenancy[b]	Ares	Owner			
1	?	M	O	4	—	—	—	?	—	—	Carpentry (itinerant)
2	39	M	O	5	20	L (I, U)	14	Self	M 1	5 chickens	Fruit peddling (wife)
3	56	M	O	8	16	K (I, U)	2	Self	M 3, F 1	1 chicken	—
4	21	M	O	2	—	—	—	Father	M 1	4 chickens	Fruit peddling (wife)
5	55	M	O	5	—	—	10	Self	—	A little *salak*	Making unglazed earthenware (*gethak*)
6	?	M	O	5	7	L (O, R)	—	?	M 1	2 chickens	Massage (wife)
7	45	M	O	8	7	K (I, R)	14	Self	M 1	3 chickens, 1 goat (G)	Peddling herbal medicine (*jamu*) (wife); shop clerk (son)
8	35	M	O	5	—	—	14	Self	M 1, F 1	3 cattle (G)	—
9	50	F	X	3	—	—	75	Self	—	15 chickens, some *salak*	(Son, living outside the regency, is a soldier)
10	35	M	O	2	21	K (O, R)	—	?	—	2 chickens	Cattle broker
11	40	M	O	6	21	K (I, U)	—	Aunt	M1, F1	—	Produce peddling (wife)
12	70	F	X	7	7	K (I, R)	7	Self	M1, F1	1 chicken, a little *salak*	—
13	35	M	O	6	25	K (I, U)	7	Self	M 1	1 chicken, a little *salak*	—
14	45	M	O	5	75	K (I, R)	25	Self	M 1	1 chicken, a little *salak*	—
15	52	M	O	3	14	K (I, U)	—	Wife's uncle	M 1, F 1	Some ducks	—
16	40	M	O	7	14	K (I, R)	5	Self	M 1	Some ducks, 9 chickens, a little *salak*	Fruit peddling (wife)
17	45	M	O	8	14	K (O, R)	5	Self	M 2, F 1	2 chickens	—
18	40	M	O	2	14	K (I, U)	—	Relative in village	M 1, F 1	2 chickens	—
19	45	M	O	5	7	K (I, R)	7	Self	M 2, F 1	5 chickens, a little *salak*	Maid (daughter)
20	45	M	O	5	7	K (I, R)	—	?	[M1], F 1	3 chickens	—
21	44	M	O	5	28	K (O, R)	—	?	[M1]	3 chickens	Proprietor of ox cart, small shop (wife)
22	36	M	O	5	—	—	5	Self	—	20 chickens, a little *salak*	Carpentry (itinerant)
23	45	M	O	6	—	—	—	?	M1, F 1	—	—
24	40	M	O	3	42	K (I/O,U)	—	Father	M 1	1 cow, 1 chicken	—
25	40	F	O	7	21	K (I/O,U)	5	Self	M 3, F 1	2 cattle (G), 1 chicken, a little *salak*	—

[a]O = living; X = deceased. [b]L = lease; K = *kedhok;* I = owner lives in the village; O = owner lives outside the village; R = owner is a relative; U = owner is unrelated. [c][ ] = Plowing and harrowing with cattle. [d]G = tended for someone else by share contract (*gadhuhan.*)

form of sharecropping. Under this system, the landowner bears all operational costs, including those entailed by land tax, water fees, harvesting, and the purchase of fertilizer and chemicals, while the tenant merely provides labor and tools. On the other hand, the landlord's share of the harvest is very large—three-quarters of the total. In fact, this form of sharecropping closely resembles agricultural wage labor.

As we see from the column on agricultural wage labor, 20 of the 25 households, or 80 percent, include household members who perform agricultural wage labor (*buruh tani*). This includes 26 men and 11 women, of which 35 (all but 2 men, in households 20 and 21) are employed as general laborers—hoeing (men), planting (women), or weeding (both men and women)—receiving low daily wages of 250–300 rupiah for men and 200–250 rupiah for women. Almost all the female laborers also participate in the communal harvesting of rice (*derepan*), taking home a share of the crop (*bawon*); this village maintains the traditional high rate of one-sixth of the harvest. As for agricultural income other than that derived from cultivation, many households make some money from the sale of chicken or duck eggs. Some households also cultivate *salak*, but since their compounds are very small, the profit obtained is much less than that obtained by the wealthier peasant households.

Twelve households (48 percent) derive income from nonagricultural occupations, 7 of these from small commercial businesses, such as peddling, brokerage, and small shops. Of the 13 people involved in such activities, 8 are women, 7 of them housewives. Only one of the landless households (9) receives money from a relative living outside the village.

From the above observations, the demographic and economic factors seem to play significant roles in the existence of landless households in this village. Landless households appear to be a more or less fixed societal feature, a kind of quasi-proletariat stratum. (The historical factors behind this phenomenon cannot be elucidated on the basis of the data obtained in this survey.) The major portion of household income comes from sharecropping (*kedhok*) and agricultural wage labor, supplemented by nonagricultural labor, mainly small commercial businesses in which housewives play a significant role, with the addition of a little income from small-scale poultry raising and fruit growing in the compound.

Case Study B: Sawahan, Srihardono

The village of Srihardono is about twenty kilometers south of the city of Yogyakarta, in the lowlands bordering the Indian Ocean. The estimated population density is 1,820 persons per square kilometer, considerably higher than that of Pagelaran. Srihardono is located in the area of highest population density (fig. 5) and lowest percentage of landless households (fig. 3) on Java. As already mentioned, the rural area along the south coast of Central Java is characterized by a low percentage of landless households despite the high population density, and this village is no exception.

The main agricultural products of the village are rice (cultivated mainly in the rainy season) and peanuts (cultivated mainly in the dry season).[15] The average rice

[15] Hiroyoshi Kanō, *Sawahan: "Kaihatsu" taiseika no chūbu Jawa nōson* [Sawahan: A Central Java village under the "development" order] (Tokyo: Ajia Keizai Kenkyūsho [Institute of Developing Economies], 1981).

yield per hectare is relatively high, about four tons (dry husked rice), and chemical fertilizer input is also high. However, since the average landholding is extremely small, only a minimal surplus over the amount needed for home consumption is produced. Accordingly, the rate of commoditization of rice is considered to be fairly low. On the other hand, opportunities for nonagricultural employment and income abound, unlike the situation in Pagelaran. A distinctive characteristic of Srihardono is the large number of villagers commuting to civil service and other jobs outside the village. The data that follow were obtained through interviews of a random sample of 80 of the 122 households in Sawahan, one of seventeen hamlets making up the village.

In Tables 10 and 11 the 80 households are classified according to scale of cultivated land owned (all wet-rice fields) and of cultivated area, respectively. Only 8 households, just 10 percent of the total, own no land whatsoever. On the other hand, 13 households (16.3 percent) have no cultivated area; 6 of these are included within the 8 landless households. Since 2 other households have less than 0.05 hectare of cultivated land, there are 15 non-"farm" households (18.8 percent of the total, according to the criteria of the 1973 agricultural census).

Table 10. Ownership of Cultivated Land, by Size of Holding, of Sample Households in Sawahan, Srihardono (Figures in parentheses represent %.)

Scale of holding (ha)	No. households	Size of holding (ha)
None	8 (10.0)	—
Under 0.1	14 (17.5)	0.890 (5.1)
0.1-0.2	18 (22.5)	2.485 (14.1)
0.2-0.4	28 (35.0)	6.930 (39.4)
0.4-0.6	8 (10.0)	3.525 (20.0)
0.6-1.0	2 (2.5)	1.305 (7.4)
1.0 or over	2 (2.5)	2.475 (14.1)
Total	80 (100.0)	17.610 (100.0)

Source: Hiroyoshi Kanō, *Sawahan: "Kaihatsu" taiseika no chūbu Jawa nōson* [Sawahan: A Central Java village under the "development" order] (Tokyo: Ajia Keizai Kenkyūsho [Institute of Developing Economies], 1981), p. 42.

Table 11. Size of Cultivated Area (Owned and Leased) by Sample Households in Sawahan, Srihardono (Figures in parentheses represent %.)

Scale of cultivated area (ha)	No. households	Size of cultivated area (ha)
None	13 (16.3)	—
Under 0.05	2 (2.5)	0.060 (0.3)
0.05-0.1	9 (11.3)	0.570 (2.7)
0.1-0.2	17 (21.3)	2.565 (12.4)
0.2-0.4	22 (27.5)	5.770 (27.8)
0.4-0.6	9 (11.3)	4.530 (21.8)
0.6-1.0	7 (8.8)	4.925 (23.7)
1.0 or over	1 (1.3)	2.350 (11.3)
Total	80 (100.0)	20.760 (100.0)

Source: Kanō, *Sawahan*, p. 74.

The percentage of landless, or non-"farm," households is thus quite low. At the same time, land does not tend to be concentrated in the hands of a few households: only two households own more than one hectare of land, and the largest holding is only two hectares. Likewise, only one household manages a cultivated area of more than one hectare (2.35 hectares). The average size of landholding per household is 0.22 hectare, much smaller than the average for Mentaraman (0.90 hectare). (The average cultivated area is 0.26 hectare for Sawahan versus 0.57 hectare for Mentaraman.) The generally small size of landholdings and the consequent lack of extreme stratification are in sharp contrast to Pagelaran and are related to the high proportion of income from nonagricultural sources.[16]

Table 12 presents various characteristics of the 8 landless households. Three of these households are headed by elderly people (5, 6, and 7), and 3 are headed by widows (2, 4, and 7). One of the elderly heads of household (household 5) lives in a separate building in the same compound as his eldest son's family and has relinquished ownership and management of his wet-rice field (just 7.5 ares) to his son. Although the holding is far from generous, this household can be considered to be temporarily landless because of the sociological factor. Another of the elderly heads of household (household 6) is a retired civil servant who formerly lived in Yogyakarta. (Wishing to live in the country after retirement, he is renting the house of a friend.) He receives a monthly pension of 16,400 rupiah, as well as remittances from his children, who have also become civil servants. This household thus does not fall into the village's lowest income bracket.

Only 3 of the landless households are headed by married men between the ages of thirty and fifty (1, 3, and 8). One of these heads of household (3) moved from another hamlet in the village to live with his wife's family, and his house is in the same compound as his mother-in-law's house. The tenant farm of 19 ares also belongs to his mother-in-law and will eventually become his wife's property. Accordingly, this household can also be classified as temporarily landless because of the sociological factor. The head of another of the landless households (8) moved from another village to take care of the owner's home. The owner, a native of Sawahan, lives in Yogyakarta, where he runs a lumber and furniture-manufacturing business. The 70 ares of land cultivated by the tenant farmer-caretaker also belong to the owner of the home. This household therefore cannot be technically classified as a landless household originating in the village.

Only 4 households (1, 2, 4, and 7) fall into the category of landless households due to circumstances within the village unrelated to the sociological factor. Of these, 3 (2, 4, and 7) are headed by widows; the remaining household (1) is headed by a widower who lives with his eldest son and his son's wife. Judging by the income of the son's family from nonagricultural sources, this household does not belong to the village's lowest stratum in terms of income.

Landless households in this village thus do not form a fixed class or social stratum. Moreover, not all the landless households fall into the lowest income bracket. In general, however, the standard of living of landless households does tend to be low. Households 2, 4, and 7 in particular are extremely poor. This is

---

[16] Ibid., pp 139–55. A similar trend is seen in another village in Yogyakarta Special Region. See Hiroyoshi Kanō, "Dagen: Isuraamu *karuyawan* no mura no shakai keizai kōzō" [Dagen: The socioeconomic structure of village Islamic religious officials], *Keizaigaku ronshū* [Economic studies] 47, no. 3 (October 1981), University of Tokyo, Faculty of Economics.

Table 12. Landless Households in Sawahan, Srihardono

	Head of household		Spouse[a]	No. family members	Cultivated area		Compound		Agricultural wage labor[c]	Major sources of other agricultural income[d]	Nonagricultural income
	Age	Sex			Ares	Type of tenancy[b]	Ares	Owner			
1	57	M	X	7	—	—	5	Self	M 1	—	Auxiliary staff, regency office (son); cigarette peddling (wife)
2	42	F	X	5	—	—	4	Self	F 1	—	Shop clerk (son)
3	35	M	O	8	19	Cultivation of mother-in-law's wet rice field, with brother-in-law	4	Self (wife)	M 1, F 1	12 chickens	Making batik; sugar mill labor (seasonal)
4	45	F	X	2	—	—	5	Self	F 1	5 chickens	—
5	70	M	O	2	—	—	12.5	Self (shared with eldest son)	F 1	50 chickens	—
6	77	M	O	4	—	—	—	Friend	—	15 chickens	Retired civil servant; remittances from children
7	70	F	X	4	—	—	5	Self	F 1	—	Carpentry (son)
8	35	M	O	4	60	*maro* (O, U)	2	Self	—	—	—

[a]O = living; X = deceased. [b]O = owner lives outside the village; U = owner is unrelated.

easily seen from the fact that members of 6 of the 8 landless households are employed as agricultural wage laborers at daily wages of 180–200 rupiah for men and 100–160 rupiah for women (5 of the 7 agricultural laborers are women). The income of landless households in this village is derived from agricultural wage labor, supplemented by income derived from growing crops in the compound and by nonagricultural income. On the other hand, there are comparatively numerous opportunities for nonagricultural employment, mainly outside the village, which absorb much of the male labor force. This fact makes stratification based on the size of landholding less distinct, militating against the formation of a landless peasant class or social stratum at the bottom of rural society.

Conclusion

The conclusions drawn from the above observations can be summed up as follows. First, the percentage of landless households in Indonesia is generally fairly high (more than 30 percent of rural households). This trend is most evident on Java, where the percentage is estimated at almost 40 percent.

Second, excluding certain areas on the outer islands that have special characteristics, the primary factor in the existence of landless peasant households today is generally the demographic factor of high population density. At the same time, the economic factor of commoditization of the peasant economy plays a significant role in the creation and perpetuation of landless households in such areas as Java, where population density is high and the commercialization of agriculture is advanced.

Third, judging from observation of individual villages and households, the patterns of landless households vary greatly. In hamlets like Sawahan, where stratification of landownership and farming is held in check by the availability of nonagricultural income, the percentage of landless peasant households is low and the factors behind their existence are likely to be variable and incidental, such as the sociological factor. At the national/regional level, however, the primary factor behind the occurrence of landless peasant households in Indonesia, and particularly on Java, appears to be population pressure, with stratification because of commoditization of the peasant economy a secondary factor.

Another question that needs to be addressed is how the economic development policy promoted in Indonesia over the last ten years, and the resulting high rate of economic growth, has affected landless peasant households. Has the percentage of such households increased or decreased? Has their standard of living risen or fallen? Since reliable time-series and comparative data at the national/regional and village levels are unavailable, objective studies cannot be undertaken at this time. My personal observation over the past ten years, however, suggests that there has been no significant change in the percentage of landless peasant households and that their standard of living has neither risen nor fallen. Although the problem has not worsened, neither has it improved. If this assessment is correct, then the benefits of the development policy have simply passed these households by. (Of course their economic environment has changed greatly during these ten years.) Perhaps this in itself most eloquently bespeaks the character and limitations of Indonesia's present development policy.

I would like to append two afterthoughts. First, it has been reported that an attempt was made to gather data on the nature of landless peasant households in the population census of 1980. Such material will be of great interest for future research, but at the time that this paper was written (December 1981) the results had not yet been published.

Second, according to the August 15, 1982, morning edition of the *Asahi Shimbun* newspaper, during talks with Japanese political and business leaders President Suharto remarked that there were 8 million landless peasant households in Indonesia. This figure is consistent with my estimate of 7.21 million landless households in 1973.

This paper was originally published in Japanese under the title "Indoneshia ni okeru 'tochinashi' nōson setai no sonzai keitai" [Patterns of landless peasant households in Indonesia], in Tsutomu Takigawa, ed., *Tōnan Ajia nōson no teishotoku kaisō* [Low-income strata in rural Southeast Asia] (Tokyo: Ajia Keizai Kenkyūsho [Institute of Developing Economies], 1982), pp. 77–114.

This page intentionally left blank

4

DUKUH: A GOLKAR VILLAGE

Takashi Shiraishi

INTRODUCTION

In this age of the United Nations, the state normally derives its meaning and legitimacy from the fiction that it is the collective, self-governing body of a nation united and equal. While the basic principle of liberal democracy is that the government, through free and fair elections, represents the will of the people and has a popular mandate, in authoritarian regimes this principle is turned upside down. In such regimes, the government is assumed to know best what should be done to fulfill the collective national interest, and it is not a popular mandate bestowed through free and fair elections but the government's performance in achieving the goals it sets itself that legitimizes the regime.

The New Order regime, in keeping with this principle, has attempted to "develop" Indonesia, with political stability and economic development as its twin "national" goals. The military was reorganized, and its role expanded, to make it the backbone of the state. Political parties were emasculated. General elections were held every five years as "festivals of democracy," and to make them a "success" Golkar (Functional Groups), a government party supported by the two major pillars of the military hierarchy and the Department of Internal Affairs, was created to guarantee orderly top-down "participation." With stability thus assured, technocrats set about formulating a "rational" economic development policy and, blessed by increased revenue from oil, promoted economic development through foreign-capital investment and import-substitution industrialization.

Throughout the 1970s Indonesia achieved an average annual economic growth rate of 7.5 percent, and in 1980 it became self-sufficient in rice production. Uniforms became a common sight in the cities. Jakarta was transformed. But time flows more slowly in the rural areas than in the cities. The PKI was destroyed, the rural population was made a "floating mass," and the central government celebrated "festivals of democracy" in the rural areas. But the state cannot keep the villages under constant surveillance, and they still maintain a significant degree of autonomy. Despite substantial leakage, development funds from the central government do trickle down to the villages. Yet land remains the main source of wealth. Within the framework set by the authoritarian state, village politics unfolds according to its own dynamics.

The purpose of this paper is to discuss village politics in Dukuh, a village in the *kabupaten* (district) of Klaten, Central Java. Klaten was a stronghold of the PKI (Partai Komunis Indonesia, or Indonesian Communist Party) under the "old order." But in the wake of the abortive coup in October 1965 many PKI members were killed or arrested, and the party organization ceased to exist. Today Dukuh,

like most villages in Klaten, is to all appearances securely under the control of the government and Golkar.

How do the government and Golkar rule this village that was once a PKI stronghold? How is the political order in this village structured? What follows is an approach to these questions through a study, based on a survey conducted in 1979, of the human relations that are formed in the context of the control of wet-rice fields—both privately owned land and village-owned salary land and treasury land.

1. The Village of Dukuh

The village of Dukuh is located in the lowlands of the district of Klaten, near the town of Delanggu. Klaten is one of the leading rice-growing areas of Java and also has a number of sugar-cane and tobacco plantations. Dukuh is in a tobacco-plantation area, and at present PNP (Perusahaan Perkebunan Negara XIX, or State Plantation Corporation No. 19) leases 20 percent of the village's wet-rice fields for tobacco cultivation every year.

According to November 1979 statistics, there were 565 households in the village. The population was 2,495 people, of whom 1,263 were male and 1,232 female. There were sixteen *dukuh* (hamlets) in the village. These correspond roughly to collections of dwellings, each *dukuh* having its own name and cemetery. Wards, meanwhile, conceived of in terms of privately owned wet-rice fields, consist of a number of *dukuh* and rice fields. The sixteen *dukuh* in Dukuh were consolidated into twelve *rukun kampung* (neighborhoods), and the twelve *rukun kampung* into four wards.

Dukuh has an area of 155.836 hectares. The breakdown of this area in terms of land usage is shown in Table 1 (see also fig. 1).[1]

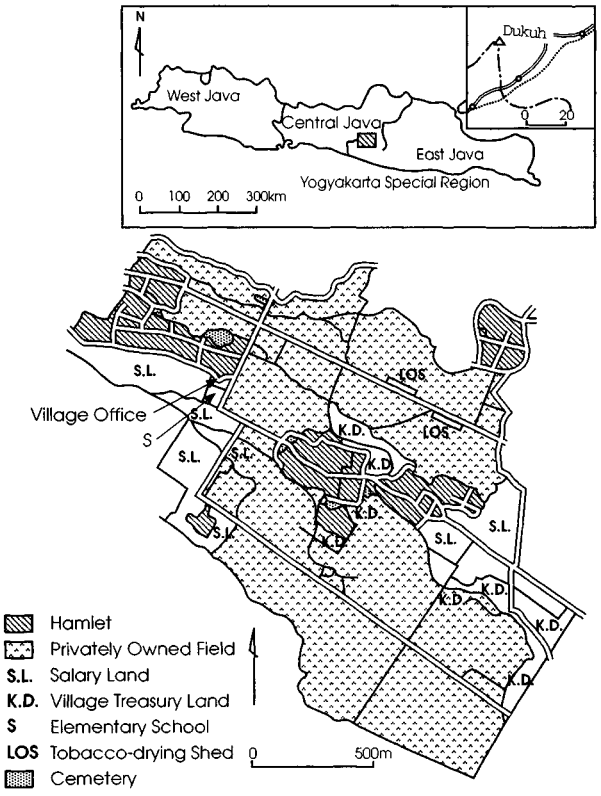
Table 1. Land Use in Dukuh

Residential land (*pekarangan*)	24.0995 ha
Ponds (*waduk*)	0.0495 ha
Public property (rivers, irrigation ditches, cemeteries, etc.)	9.4370 ha
Wet rice fields (*sawah*)	122.2500 ha
Salary land (*tanah lungguh*)	10.4740 ha
Village treasury land (*kas desa*)	11.8380 ha
Privately owned fields (*patokan*)	99.9380 ha

Irrigation ditches crisscross the village. Water drawn from a nearby spring enables year-round rice cultivation. In 1979 three crops of the improved strain IR 36 were cultivated. All the privately owned rice fields were considered to belong to one of the four wards of the village: Ngaran, Terasan, Candi, and Turus. These fields are divided into, and registered under, 273 *stat*, or titles. In Candi and Turus the average area of a *stat* is about 4,000 square meters, and in Ngaran and Terasan it is about 3,700 square meters. Each *stat* is divided into two fields, one in block (*blok*) A and one in block B. Thus, a *stat* in Turus would consist of some 4,000 square meters made up of one rice field of about 2,000 square meters in block A and another rice

[1] *Laporan Singkat Keadaan Desa Dukuh Kabupaten Klaten dalam Rangka LOMBA Desa HUT KEMERDEKAAN R. I. Ke XXXV*, Tanggal 17 Augustus 1980.

DUKUH VILLAGE fig. 1



field of about 2,000 square meters in block B. *Stat*, therefore, besides meaning "title," signifies the unit, approximately 4,000 square meters, in which rice-field ownership is registered (fig. 3).

The Dukuh area has belonged to the Surakartan Principality since Dutch times and originally comprised a number of appanages conferred on members of the royal family, vassals, and other *patuh* (appanage holders). The *patuh* entrusted the management of their appanages to *bekel*. A *bekel* commanded a certain amount of labor, with which he managed the appanage, and in remuneration he was given one-fifth of the cultivated land in the bekelship as salary land. The *bekel* used *kuli* (coolies) to cultivate the remaining four-fifths of the arable bekelship land and turned over half the crop from this land to the *patuh*. The other half was given to the *kuli*. In the late nineteenth century tobacco plantations began leasing appanages from *patuh* for tobacco cultivation. The plantations continued to guarantee the *bekel* one-fifth of the bekelship's arable land as salary land. On two-fifths of the arable land *kuli* were made to cultivate tobacco, and on the remaining two-fifths they were allowed to cultivate food for their own consumption.

The villages of Ngaran and Candi were created as administrative villages under the administrative and agrarian reforms in 1916 and 1922, respectively. In the Ngaran village area there were eight *bekel* in Ngaran and seven *bekel* in Terasan, and in the Candi village area there were five *bekel* in Candi and four in Turus. Under the agrarian reforms, the rice fields that had formerly been under the control of the various *bekel* were amalgamated into wards, and every *bekel* and

kuli was given usufructuary rights to one *stat* of land consisting of two rice fields, one in block A and one in block B, and one lot of residential land. With this the *bekel* system was abolished. Both *bekel* and *kuli* occupied an equal area of land, consisting of one *stat* of rice fields and one lot of residential land, and became *kuli kenceng*.

The obligations of *kuli kenceng* were threefold: to contribute labor for public works, such as the maintenance and repair of public roads (*herendiensten*); to supply labor for patrolling the village at night, maintaining and repairing village roads and irrigation works, and so on (*desadiensten*); and to offer every year one of the two fields (in block A or B) in his *stat* to the plantation for use without remuneration. If a *kuli kenceng* did not fulfill these obligation, the village was empowered to remove his usufructuary rights over the rice fields. Furthermore, a *kuli kenceng* was not allowed to occupy more than one *stat*. If he came into possession of a second *stat* through inheritance, one *stat* had to be returned to the village to be given to someone who had yet to receive a *stat*, a *kuli setengah kenceng* (unfledged *kuli kenceng*).

The *kuli kenceng* system, introduced with the agrarian reforms, was maintained throughout the rest of the Dutch period. When the reforms were carried out, every head of household was given a *stat* of rice fields and a lot of residential land. But over the years the population increased, as did the number of households, generational change occurring with the inheritance of rice fields and residential land. With the passage of time, the inheritance of rice fields and residential land led to the emergence of households that possessed no rice fields and households that possessed no residential land.

The *kuli kenceng* system was abolished in 1948 with the change from usufructuary rights to ownership of rice fields, but the division of a *stat* of land into fields in blocks A and B and the partitioning of rice fields into *stat* of approximately 4,000 square meters were retained. In addition, the legal stipulation of one *stat* as the unit of rice-field ownership as well as the notion that ownership of rice fields meant that ownership of one *stat* survived.

Division of residential land through inheritance was permitted. In some cases the title to a lot divided through inheritance would be changed, while in others the title would remain unchanged but a number of households would occupy the lot. Division of a *stat* of rice fields through inheritance, however, is prohibited to this day. For this reason there are glaring discrepancies between nominal ownership and actual ownership of rice fields. This will be discussed in the next section. What should be noted here is the subtle change in the notion of *kuli kenceng*. In Dutch times *kuli kenceng* meant a household head who possessed a *stat* of rice fields, a lot of residential land, and a house. But today someone who has title to rice fields is considered a *kuli kenceng* even though the person may not own a residential lot or a house. At the same time, a *kuli kenceng* is considered to be not just someone who owns rice fields but someone who owns one *stat* of such fields.

The buying and selling of rice fields is freer today than in the past, and ownership of more than one *stat* is allowed. But in cases where a single household owns several *stat*, title to the land is often divided to show one person owning one *stat*. What comes to mind in this connection is the land-reform movement that the PKI carried out in the mid-1960s. At that time the party demanded that households owning several *stat* divide their fields over and above one *stat* among landless peasants. It further demanded that households owning one *stat* offer the field in

either block A or block B for *maro* tenancy (a sharecropping system under which owner and tenant take half the crop each) by landless peasants. This shows that the notion of *kuli kenceng* had become the normative model of wet-rice-field ownership by the mid-1960s.

If privately owned rice fields were created by agrarian reform, salary land and village treasury land were created by administrative reform. The villages of Ngaran and Candi were made up of fifteen and nine bekelships, respectively. When the villages were formed, six village officials—a village headman, secretary, deputy village headman, messenger, water official, and religious official—were appointed in each village from among the *bekel*. The village headman was given 3.6 hectares of salary land, the secretary 1.8 hectares, and the deputy village headman, messenger, water official, and religious official 0.9 hectare each. *Bekel* who were not chosen to be village officials were given one *stat* each as pension land. The village officials had the duty of supervising the labor service of the *kuli kenceng* and the renting of rice fields to plantations. Furthermore, treasury land was set aside for the village finances, and its management was entrusted to the village officials.

In 1935 the village of Dukuh was formed through the amalgamation of the villages of Ngaran and Candi. But although this brought about a change in the institutional framework of village administration, it did not result in a change in village officials. All the salary land and treasury land of the former villages of Ngaran and Candi were taken over by Dukuh.

A generational change in the ranks of the village officials began in 1946 with the election of a new village headman following the death of the first headman. The records of this election no longer exist, but according to villagers there were eight candidates to begin with. After a number of ballots the field was narrowed down to Mitro, the village secretary, from Candi, and Marto, the second son of the first headman, from Ngaran. Marto, who was elected, served as headman until 1965.

Another important point to note in order to understand village politics until 1965 is the formation of BTI (Barisan Tani Indonesia, or Indonesian Peasant Front) in 1948. That year BTI, whose chairman was Sutopo, elder brother of the village headman, launched a movement that demanded a shift from usufructuary rights over land to ownership rights. The movement expanded greatly. At that time BTI was not yet necessarily affiliated with the PKI. The BTI secretary was Mitro, the village secretary who had lost to Marto in the 1946 election for village headman. But in the mid-1950s BTI began to come under PKI direction, and "Communists" led by village headman Marto and BTI chairman Sutopo began to run village affairs. PKI members were also appointed to the positions of messenger and water official.

By the end of the 1970s the people who participated in Golkar in Dukuh and who controlled village affairs were those who, as members of the PNI (Partai Nasional Indonesia, or Indonesian National Party), opposed PKI rule in the 1950s. Most of them came from outside Ngaran, were a generation younger than Marto, and in the 1950s had completed a middle school education and become civil servants. They founded the Dukuh branch of the PNI in the mid-1950s and were hired on a preferential basis as local officials of the Department of Internal Affairs, which was then under the influence of the PNI, or as elementary school teachers under the jurisdiction of the Department of Education and Culture. They came to control village affairs quite fortuitously in 1965, when more than forty members of the PKI in

Dukuh were arrested and four of the seven village officials were dismissed. I will relate later how they controlled village affairs under the New Order regime. First, however, focusing on one of the wards in the village, Turus, I would like to examine the human relations that obtained in regard to ownership and management of privately owned rice fields.

2. Turus: Ownership and Management of Privately Owned Rice Fields

Turus consists of two hamlets, North Turus and South Turus. As of November 1979 there were ninety-four households and a population of 435 people, 210 male and 225 female. In ninety-two of the households at least one spouse was born in Turus; thus there were only two households in which both spouses came from outside the ward. Turus contains 26,150 square meters of residential land, divided into fifty-two lots to which there were titles. Three of these lots were vacant; of the forty-nine lots on which there were houses, twenty-one accommodated one household each; the other twenty-eight held more than one household. The lots and residence pattern of Turus are shown in figure 2.

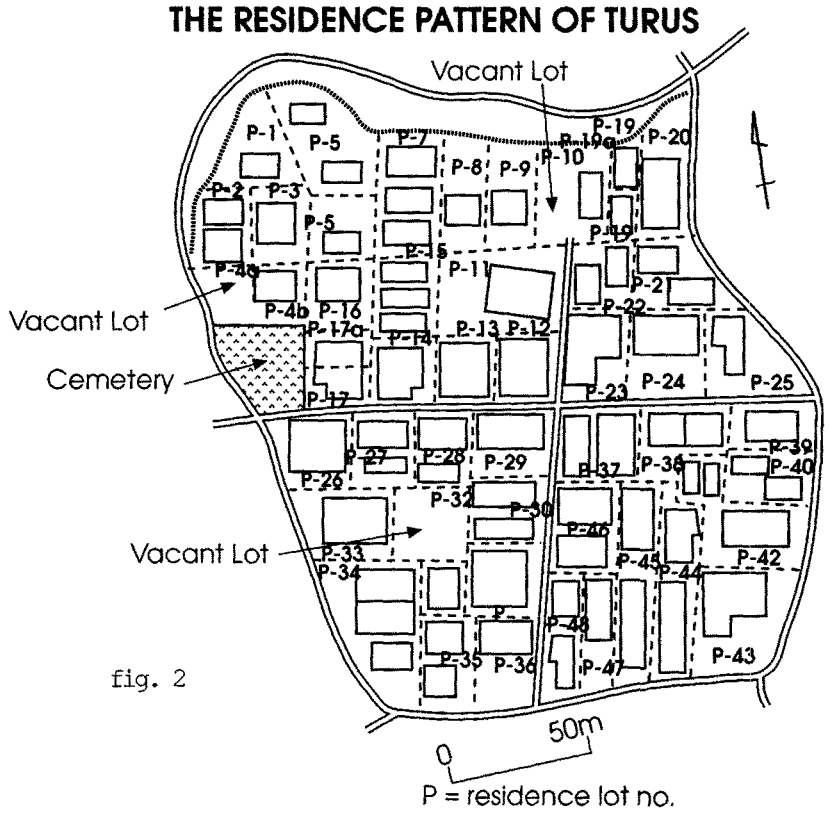


fig. 2

The residents of Turus had various occupations. Besides teachers, clerks, and peasants cultivating their own rice fields, there were agricultural workers who owned no land of their own, as well as stonemasons and *andong* (one-horse carriage) drivers. Most residents had more than one means of support. Let us examine the residents' occupations, using their own categories.

First were the *karyawan*, or salaried workers. Here the term included civil servants, such as schoolteachers, clerks at the *kecamatan* (subdistrict) office, village officials, and retired military personnel, as well as full-time employees of the jute-bag factory in Delanggu and of PNP. Most of these *karyawan*, particularly the civil servants, owned or leased rice fields, which they cultivated. Even if engaged in agriculture, however, when asked their occupation they invariably replied that they were schoolteachers, clerks at the subdistrict office, and so on. The heads of the ninety-four households in Turus included eleven civil servants: two village officials, one clerk at the subdistrict office, one school inspector, two elementary school principals, three elementary school teachers, one middle school teacher, and one retired soldier.

Schooling was a prerequisite for employment in the civil service. A look at the educational background of the ninety-four household heads in Turus reveals that fourteen had at least a middle school education; of these, ten were civil-servant *karyawan* (Table 2). The retired soldier was the only civil servant with only an elementary school education. Education costs money. In the 1950s, when most of the civil servants in Turus graduated from school and went to work, the people of their parents' generation who realized that education was the key to getting ahead and who had the means to give their children a decent education were primarily village officials or former *bekel*. This can be seen from the fact that of the nine people forty-one years of age or older in Turus who were civil servants, six were the offspring of village officials or former *bekel*. As already mentioned, most of them were members of the PNI in the 1950s and came to dominate village affairs in the mid-1960s.

Table 2. Educational Background of Heads of Household in Turus

	None	SD	SMP	SGA	SMEA	IKIP
50 or over	32	5	0	0	0	0
41–50	11	9 (1)	3 (2)	4 (4)	1 (1)	1 (1)
31–40	3	11	2	2 (2)	0	0
30 or under	0	9	1	0	0	0
Total	46	34 (1)	6 (2)	6 (6)	1 (1)	1 (1)

Numbers in parentheses indicate *karyawan*.
SD = *sekolah dasar* (elementary school)
SMP = *sekolah menengah pertama* (middle school)
SGA = *sekolah guru atas* (normal school)
SMEA = *sekolah menengah ekonomi atas* (commercial high school)
IKIP = *institute keguruan ilmu pendidikan* (higher normal school)

There were also thirteen people in Turus who worked at the jute-bag factory in Delanggu and one PNP supervisor. These people also called themselves *karyawan*. But education was not a prerequisite for obtaining such jobs. Some of these people had graduated from middle school, but others were elementary school graduates, and still others had no schooling at all. They did not play an important role in village affairs. Here I will call civil servants "civil-servant *karyawan*" and the others "other *karyawan*."

The sixty-nine household heads who did not belong to the group of twenty-five *karyawan* household heads had various occupations, such as peasant (*petani*), worker (*buruh*), and artisan (*tukang*). "Peasant" does not necessarily mean a person

working his or her own land. A peasant is a person who has title to one *stat* of rice fields and who lives in the village. Furthermore, *karyawan* are not included in this category. Even if one owns rice fields according to customary law and cultivates them, one is not considered a peasant unless one is the titular owner. On the other hand, a person who has title to rice fields is considered a peasant, even if that person rents them out and does not cultivate them at all. Of those who are neither peasants nor *karyawan,* stonemasons, woodworkers, carpenters, and the like are classified as artisans; the rest are considered workers. Agricultural workers, construction workers—all people other than artisans who work on a daily wage basis—are considered workers. Hereafter I will call peasants, artisans, workers, and others who are not *karyawan* "non-*karyawan.*"

Ownership of Rice Fields

The rice fields in Turus are located on the south side of the ward along either side of a road, block B on the northern side and block A on the southern side (fig. 3). The fields in each block are divided into forty-six long narrow strips, one *stat* consisting of two fields on opposite sides of the road. Title to these fields may not be divided through inheritance, gift, or sale. The landowners registered in the C register (land register) kept at the village office are the legal owners. But in actuality a *stat* is frequently divided among several households, and these households' control of the land is guaranteed under the customary law of the village. That is, when rice fields are inherited, after all the heirs have agreed on a de facto division of the inheritance, the village secretary prepares a written agreement, which the village headman witnesses. This written agreement, called an *ugeran,* is kept in the village office.

THE WET-RICE FIELDS OF TURUS

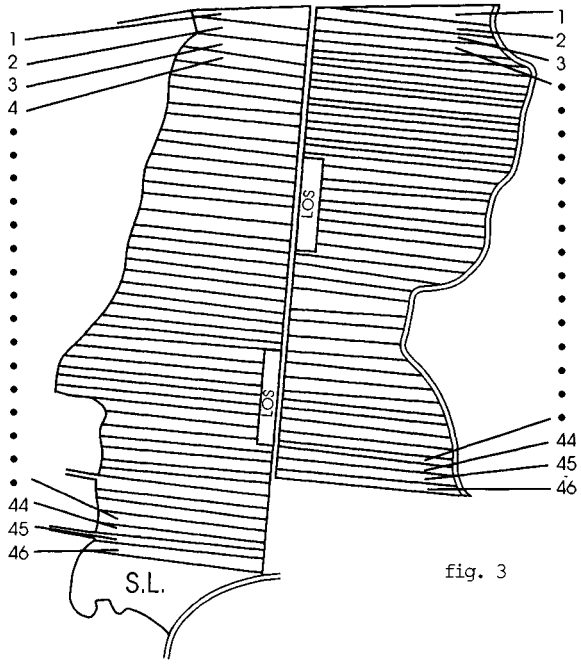


fig. 3

Division and ownership of rice fields based on customary law give rise to situations like the following. Let us say three people claim the right to inherit a particular *stat*. The title may remain in the name of the deceased, or it may be changed to the name of one of those laying claim (usually the eldest son). But in terms of ownership relationships under customary law, the eldest son would ordinarily assume ownership of the field in either block A or block B, and the other two claimants would each acquire half the other field. A person who owns rice fields under customary law is perfectly free to cultivate the land, rent it out, or lease it to a tenant. Sale, however, because it entails changing the title to the land and takes place in units of one *stat*, is not allowed. Therefore ownership based on customary law might better be termed possession of usufructuary rights. While titular ownership belongs to the realm of the written language, ownership based on customary law has to do with actual control of the land. Hereafter, when I discuss ownership of rice fields, I mean ownership according to customary law.

Table 3. Classification of Households in Turus by Scale of Wet Rice Fields Owned (Numbers in parentheses indicate percent.)

Scale of fields owned	No. households	Area (m^2)
None	37 (39.4)	—
Under 1,000 m^2	7 (7.4)	5,625 (3.5)
1,000 m^2–under 2,500 m^2	28 (29.8)	53,810 (33.6)
2,500 m^2–under 5,000 m^2	18 (19.1)	68,160 (42.6)
5,000 m^2 or over	4 (4.3)	32,545 (20.3)
Total	94 (100)	160,140 (100)

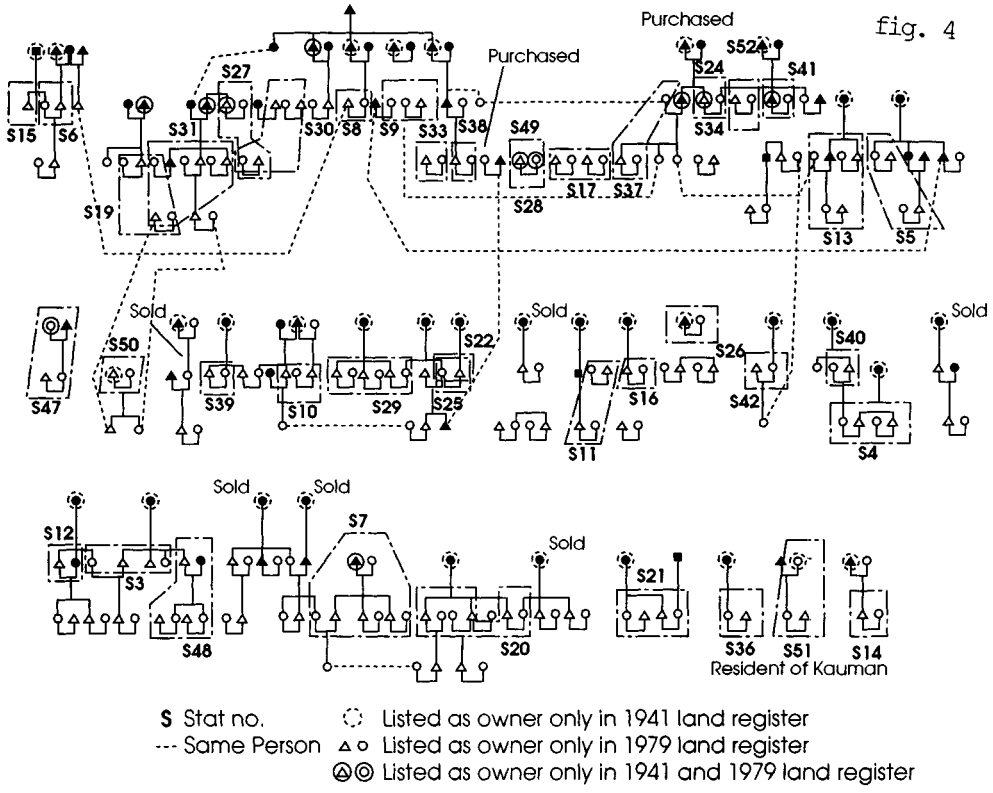
In Turus in 1979 there were fifty-seven households that owned rice fields under customary law. These households are classified in Table 3 according to scale of fields owned. The villagers use the expression "eat" (*makan*) to describe how they actually divide and own a *stat*. Figure 4 shows how the forty-one *stat* to which residents of Turus held title were actually "eaten." As can be seen, six *stat* were owned by three households, each owning two *stat*, and eighteen *stat* were owned by eighteen households, each owning one *stat*. The remaining seventeen *stat* and the one *stat* in the name of a resident of the neighboring village of Kauman were "eaten" by several households.

On the basis of Table 3 and figure 4, the following points can be made. First, there were only two cases of a parent and child in separate households dividing ownership of a *stat* or a portion thereof. There were, however, five cases of an uncle and nephew "eating" a *stat* or a portion thereof, and thirteen cases of siblings "eating" a *stat*. This indicates that ownership of rice fields based on customary law amounted to de facto division of a *stat* through inheritance, which led to fragmentation of landownership. It also shows the necessity of making a distinction among landless households, between those that may not own land at present but could eventually inherit land owned by parents (twenty-three households) and those that do not and never will own land unless they purchase it.

Second, we do not see great differences among households in scale of fields owned. Even the largest landowner's property totaled only 11,635 square meters, and if we restrict ourselves to rice fields inside the village, the largest area owned was two *stat*, only 7,630 square meters. Table 4 classifies households in Turus

WET-RICE-FIELD OWNERSHIP AND KINSHIP IN TURUS

fig. 4



according to scale of fields owned by civil-servant *karyawan,* other *karyawan,* and non-*karyawan.* The area of land owned by the nine civil-servant *karyawan* households was 38,410 square meters (24.0 percent), that of the seven other *karyawan* households 17,745 square meters (11.1 percent), and that of the forty-one non-*karyawan* households 103,985 square meters (64.9 percent). The percentage of households owning fields was higher in the civil-servant *karyawan* group than in the other groups, and the scale of fields owned was greater. Even so, the average holding was under one *stat,* smaller than that of the former *kuli kenceng.*

Table 4. Classification of Households in Turus by Scale of Wet Rice Fields Owned
(Numbers in parentheses indicate percent.)

Scale of fields owned	Civil-servant *karyawan*	Other *karyawan*	Non-*karyawan*
None	2 (18.2)	7 (50.0)	28 (40.6)
Under 1,000 m^2	0	0	7 (10.1)
1,000 m^2–under 2,500 m^2	3 (27.2)	5 (35.7)	20 (29.0)
2,500 m^2–under 5,000 m^2	4 (36.4)	2 (14.3)	12 (17.4)
5,000 m^2 or over	2 (18.2)	0	2 (2.9)
Total	11 (100)	14 (100)	69 (100)

This does not mean that class differences were not important. PNP was cultivating tobacco in the village, and landowners had to rent their fields in blocks A

and B to PNP on an alternating basis once every five years. Thus households that owned only one field, in either block A or block B, found themselves with no land at their disposal during the periods when they had to rent land to PNP. There was, thus, a big difference in economic stability between households that owned half a *stat* or less of land and those that owned more than that.

Management of Rice Fields

Rice fields may be cultivated by the owner, leased out, or managed on a sharecropping basis. Thirty-nine of the fifty-seven households that owned rice fields cultivated all or part of the land themselves. But even they made extensive use of agricultural workers for such tasks as tilling, planting, weeding, and harvesting.

The length of leases varied, but most leases were for at least five years. The rental income for one year was about the same as the income from one harvest, and from the second year onward 10–15 percent interest was added to the previous year's rent. In 1979 the rent for five years for one field would come to 220,000–240,000 rupiah, and no one but a civil-servant *karyawan* with a relatively high salary would have that kind of cash. Table 5 shows the breakdown of households in Turus in terms of scale of fields managed as a result of the leasing of fields. We can see that there was a tendency for civil-servant *karyawan* to augment the amount of land they managed by leasing fields from non-*karyawan*.

Table 5. Classification of Households in Turus by Scale of Wet Rice Fields Managed (Numbers in parentheses indicate percent.)

Scale of fields managed	No. households	Civil-servant *karyawan*	Other *karyawan*	Non-*karyawan*	Area (m^2)
None	48 (51.8)	2	8	38	—
Under 1,000 m^2	4 (4.3)	0	0	4	3,785 (2.4)
1,000 m^2–under 2,500 m^2	22 (23.4)	2	3	17	42,345 (26.9)
2,500 m^2–under 5,000 m^2	13 (13.8)	4	2	7	48,385 (30.8)
5,000 m^2 or over	7 (7.4)	3	1	3	62,660 (39.9)
Total	94 (100)	11	14	69	157,175 (100)

Leasing fields was the means by which civil-servant *karyawan* increased the amount of land they managed; sharecropping was restricted to households that owned no land or, if they did own land, leased it all out and therefore had none to cultivate themselves, and to households that owned only a little land. Two types of sharecropping were observed in Turus. One was *mrapat* sharecropping. Under this system the landowner takes three-fourths of the crop and the tenant one-fourth, but the landowner bears half the expenses of water use, seedlings, fertilizer, pesticides, and wages for the planting of seedlings. The period of sharecropping is not determined in advance; once the crop is harvested, the landowner can terminate the tenancy at any time.

The insecurity of the tenant's position under this system derives from the strictly economic relationship it creates between the landowner and the tenant. According to one villager, if one managed one's own land, cultivation expenses came to a little more than 20 percent of gross income, whereas if one leased out the land in *mrapat* tenancy, expenses did not exceed 30 percent of gross income. In other words, the decision to lease out one's land under *mrapat* tenancy or to manage it

oneself using agricultural labor was a matter of choosing between leaving management of the land to a tenant—even though it cost a little extra—and giving the tenant one-fourth of the crop or taking on the burden of managing the land oneself, cultivating it with the help of agricultural workers, who had to be paid and fed every time they were hired. In Turus there were two households that managed land that they owned or leased by means of *mrapat* tenancy, and there were three households engaged in *mrapat* tenancy.

The other form of tenancy was *maro*. Under this system the crop is divided equally between landowner and tenant, but the tenant must pay for water use, seedlings, fertilizer, pesticides, and all other expenses. Some of the village treasury fields in Dukuh are leased out under the *maro* tenancy system, but no privately owned fields are. In response to a questionnaire, however, two households, each of which owns one *stat*, replied that they had leased out their rice fields according to *jaminan maro* (*maro* tenancy for livelihood security). In this form of *maro* tenancy the landowner and the tenant are parent and child, respectively. The parent being elderly and the child needing a secure livelihood, the child, in return for managing the land, splits the crop with the parent. The existence of *jaminan maro* indicates that when rice fields in Dukuh are leased out for *maro* tenancy, extraeconomic considerations—considerations that go beyond the economic relationship between landlord and tenant—are also a factor.

Except in the case of *jaminan maro*, the landlord-tenant relationship is strictly economic; the same can be said of the relationship between the manager of a rice field and agricultural workers. Let us now look at the latter relationship, focusing on three of the tasks in the rice-cultivation process: planting, weeding, and harvesting.

Planting and weeding were done by women. Agricultural workers were almost always hired for planting, and were also hired for weeding if the manager of the land was a civil-servant *karyawan*. Wages were paid on a contract basis and were set at a certain amount per field. In terms of pay per worker, the wage for half a day (four hours) of planting was 150 rupiah and a meal; that for half a day of weeding was 125 rupiah. Since it takes eight workers half a day to plant a field and six workers half a day to weed a field, the wages a manager would pay would be on the order of 1,200 rupiah for planting and 750 rupiah for weeding.

The composition of the groups of workers that contracted to plant and weed was not fixed, and the number of workers contracted varied with the size of the fields. Certain women were recognized as leaders of these groups. In Turus there were four such women. When a manager employed workers for planting or weeding, one of these group leaders was asked to take on the job. She then determined the number of workers needed and assembled a group of women from her neighborhood. The women each of these group leaders had at her disposal overlap, so the composition of the groups differed from one time to another.

For harvesting, the manager either hired agricultural workers or sold the rice to a rice broker a week before the harvest. When the manager hired workers to harvest the crop, twenty to thirty women took part for every field, cutting the rice stalks at the ears. The harvesters were given about one-eighteenth of the crop in payment. This division is called *bawon*. According to the villagers, *bawon* was one-eighth to one-tenth of the crop before World War II, and from 1950 to the beginning of the 1970s it was one-twelfth to one-fifteenth. Around 1975, when the improved strain IR 36 was introduced, it fell to one-eighteenth to one-twentieth.

When the rice is sold to a broker before the harvest, the broker harvests the crop using workers whom he oversees himself, and he bears the costs. This method of harvesting is called *tebasan,* and the rice broker is called *penebas*. In 1979 there was one *penebas* in each ward of the village. The *penebas* in Turus determined the buying price of the rice with the manager about a week before the harvest. He then harvested the rice using workers he himself oversaw. After the harvested rice was dried, it was sold to a rice miller in Delanggu. Only then did the manager get his money for the rice from the *penebas*. But the *penebas* in Candi, a man named Widodo, rented the village rice-milling machine from the village for 60,000 rupiah a year, bought rice under the *tebasan* system, and after milling the rice at his own home sold it at a rice shop in Delanggu run by one of his children.

According to the villagers, in recent years most managers of rice fields resorted to *tebasan* instead of harvesting the rice themselves. But this expansion of *tebasan* did not reduce the amount of harvesting work for women. The major effect was to strip away the noneconomic aspects of the relationship between manager and workers in harvesting labor, as a result of which *bawon* was held down to about one-twentieth of the crop. This took the attenuated economic relationship between manager and agricultural workers to its logical extreme.

Most civil-servant *karyawan* households owned a *stat* of land. In addition, by using their salaries to lease more land, they augmented the amount of land under their management. They were the wealthiest people in the village. But this wealth did not automatically translate into political influence. The land owned and managed was too small in scale to serve as an instrument of patronage, and the relationships between landlord and tenant or landlord and agricultural worker were strictly economic ones sealed by the receipt of harvest or cash; they did not generate stable personal relationships that went beyond economic considerations. How, then, did the civil-servant *karyawan* control village affairs and systemically ensure their dominance? I will address this question in the next section.

3. A Golkar Village

In 1979 the people controlling Dukuh politics, the village base of support for Golkar, were the village headman and the officials under him who made up the leadership of the LSD (Lembaga Sosial Desa, or Village Social Council) and other prominent people in the village. The LSD was introduced by the district in 1974 as a forum to facilitate villagers' participation in village affairs. LSD meetings were convened regularly by the village headman to discuss important matters, such as the appointment of village officials, the use of village treasury land, and the administration of the irrigation association, and became in effect the forum in which policy decisions were made. The composition of the LSD leadership was as follows:

General chairman: Darsono. Village headman, Terasan; formerly secretary of the Dukuh committee of the PNI, then Golkar chairman in Dukuh.

Chairman: Kusman. Elementary school principal, Turus; formerly chairman of the Dukuh committee of the PNI, then Golkar committee member in Dukuh.

First secretary: Darmodisastro. Village secretary, Turus; formerly a member of the PNI, then a member of Golkar.

Second secretary: Karto. Village messenger, Turus; a member of Golkar.
Treasurer: Suwarno. Village water official, Ngaran; formerly a member of Masjumi, then a member of Golkar.
Member in charge of social affairs: Sastrowijono. School inspector, Turus; formerly a member of the Dukuh committee of the PNI, then a member of Golkar.
Member in charge of economic affairs: Widodo. *Penebas*, Candi.
Member in charge of education and culture: Harjodiwongso. Elementary school principal, Turus; formerly a member of the Dukuh committee of the PNI, then a member of Golkar.

There were two other village officials, a water official and a religious official, but they did not take part in meetings of the LSD leadership; they were excluded from the village's political core group. As can be seen from this list, the men who dominated Dukuh politics had been members of the PNI since the mid-1950s, and most were civil-servant *karyawan* in their forties. Furthermore, seven of the eight belonged to Golkar.

Let us now analyze the way in which the LSD operated by looking at the election of the village headman and the appointment of village officials, the management of village treasury land, the irrigation association, and the leasing of land to PNP.

Control of Salary Land: Election of the Village Headman and Appointment of Village Officials

Dukuh had 97,305 square meters of salary land, which was divided among the village officials as shown in Table 6. As these data reveal, salary-land rice fields were much larger than privately owned rice fields in terms of both scale of land owned and scale of land managed. What is more, village posts were held for life. In the case of privately owned rice fields, ownership or management of relatively large plots of land did not necessarily bring with it any particular political influence in village affairs. But the jobs of village officials gave the incumbents control over salary land. This land represented the "spoils" of their dominance over village affairs.

Table 6. Distribution of Salary Land in Dukuh

Village headman	36,460 m^2	(9 *stat*)
Secretary	18,120 m^2	(4.5 *stat*)
First messenger	8,535 m^2	(2 *stat*)
Second messenger	8,845 m^2	(2 *stat*)
First water official	8,590 m^2	(2 *stat*)
Second water official	8,500 m^2	(2 *stat*)
Religious official	8,255 m^2	(2 *stat*)

How did village headman Darsono and the LSD leaders under him gain control of village politics? Until 1965 the PKI dominated politics in the village, and four of the seven village officials (the village headman, first and second messengers, and water official) were members of or affiliated with the party. These four were arrested in 1965 and dismissed from their posts. The subdistrict police officer, a man from another village, was then appointed village headman, and another

subdistrict official, also from another village, was appointed second messenger to assist him. Darmodisastro, from Turus, until then an official at the subdistrict office, was appointed first messenger, and Suwarno, from Ngaran, a batik merchant who had been active in Masjumi, was appointed water official. These people were appointed directly by the *bupati* (district head) of Klaten.

The 1974 election for village headman put an end to the abnormal situation that had existed in the village since 1965 and was the first step toward normalizing village politics. Since this election is important for understanding the formation of the subsequent LSD leadership, it needs to be discussed in some detail. There were sixteen candidates, and they campaigned for almost two years. They included, of course, the subsequent headman, Darsono, and the incumbent headman, Sujono (1965–1974), as well as four people from Turus: Sastrowijono and Harjodiwongso (both elementary school teachers at the time), Darmodisastro (first messenger at the time), and Harjosemito (then a *karyawan* at the Delanggu jute-bag factory and formerly a key PNI figure). The majority of candidates were former PNI Dukuh committee leaders or ordinary party members. The only former PNI Dukuh committee leader who did not run was Kusman, who later became LSD chairman.

The election took place in two stages. First an official from the district office administered a qualifying examination to the candidates. The next day balloting took place. Campaign strategy thus dictated a two-pronged approach. During the long campaign period, the candidates directed all their energies to securing votes, and in the process the field was narrowed down to a few leading contenders. Then, in the qualifying exam, each did his best to convince the examiner of his own qualifications and, at the same time, the lack of qualifications of his major rivals. Once the results of the qualifying exam were known, those who had passed spent the night trying to gain votes from those who had failed.

Money was the biggest weapon in the long campaign preceding the exam, whereas connections with the district chief and the KORAMIL (Komando Rayon Militer, or Subdistrict Military Command) commander were what counted in the exam. During the campaign period the candidates stocked their homes with generous supplies of drinks, sweets, cigarettes, and the like to lavish on visitors. Candidates also garnered votes by handing out or having their campaign workers hand out 1,000 or 2,000 rupiah to villagers and, as election day approached, buying off their opponents' supporters with payments of tens of thousands of rupiah.

The men who emerged as the leading contenders were the later headman, Darsono, and Harjosemito. At the time, Harjosemito was an accountant at the Delanggu jute-bag factory; according to Kusman, his campaign manager, he embezzled about 15 million rupiah from the factory to use in his campaign. Darsono, meanwhile, was an official at the subdistrict office in Delanggu and also, as a building contractor, had a very close relationship with the *bupati* of Klaten. Harjosemito bribed voters with his abundant campaign funds and also gave the examiner 5 million rupiah at the time of the exam to push the case for his own qualifications and Darsono's lack of qualifications. Darsono's original campaign fund of 3 million rupiah being insufficient to counter this, he raised an additional 5 million rupiah by selling the two *stat* of rice fields that he owned at the time. He also used his close ties to the *bupati* and the KORAMIL commander as a contractor to offer his home as the venue for the qualifying exam, then making sure these two high officials would be present.

At first the exam went just as Harjosemito had planned: the examiner decided to pass Harjosemito and to fail Darsono. But the KORAMIL commander, present as an observer, overturned this decision and decided to fail Harjosemito and pass Darsono. Two other candidates also passed: the incumbent village headman, Sujono, and the incumbent village messenger, Darmodisastro. Darmodisastro, like Darsono, was said to be close to the *bupati*. When the results of the exam were known, the three successful candidates put all their energies into picking up the votes that the other candidates had already gathered. Since Sujono came from another village, however, the election was actually a contest between Darsono and Darmodisastro.

It is not clear how the two went about getting votes from the disqualified candidates, but there is no doubt that the person in the most strategic position at this point was Kusman. As the former chairman of the Dukuh committee of the PNI, Kusman was close to the candidates, most of whom had been PNI members. He was also the person who, as Harjosemito's campaign manager, had so generously handed out funds from the campaign coffers. Kusman now declared his support of Darsono and handed over to him all the votes he had gathered on behalf of Harjosemito, thus assuring Darsono of victory.[2] The reason, Kusman himself said, was that he and Darsono had been close since the 1950s, when Darsono had been secretary of the Dukuh committee of the PNI and Kusman had been chairman. In fact, when Darsono decided to run for headman he asked Kusman to be his campaign manager, but Kusman had to turn him down because Harjosemito, Kusman's uncle, had also decided to run and had asked Kusman to be *his* campaign manager.

The 1974 election was thus an open contest between former PNI *karyawan* for the post of village headman and the extensive salary land that went with it. The conflict it created between Darsono and Harjosemito led to a split in the ranks of these *karyawan*. Not long after the election Harjosemito was arrested on charges of embezzlement and served a three-year prison term. Immediately after his release he and his uncle joined the PDI (Partai Democrasi Indonesia, or Indonesian Democratic party), thus becoming the sole force opposing Golkar in Dukuh.[3] The other former PNI *karyawan*, however, continued to participate in village affairs as village officials under Darsono and as LSD officers.

Let us look next at the appointment of village officials. The first post that had to be filled after the election for headman was that of second messenger (responsible for the old village of Candi), which fell vacant in 1975. Until 1965 the post of messenger for the old village of Ngaran had been filled by the appointment of

---

[2] Records of the election for village headman have been lost. But as Kusman recalls, votes received by the three candidates were as follows: Darsono, 750; Darmodisastro, 250; and Sujono, 100.

[3] The table below shows the votes and percentages of votes obtained by Golkar, the PPP, and the PDI in Dukuh in the 1977 general election.

	Golkar		PPP		PDI		Total	
Dukuh Village	705	60.8%	185	16.5%	232	20.7%	1,122	100%
Turus	118	54.6%	13	6.0%	85	39.4%	216	100%
Candi	162	58.5%	49	17.7%	66	23.8%	277	100%
Ngaran	230	57.9%	104	26.2%	63	15.9%	397	100%
Terasan	195	84.1%	19	8.2%	18	7.8%	232	100%

someone from either Ngaran or Terasan, while the post of messenger for the old village of Candi had been filled by someone from either Candi or Turus. That practice was not followed in 1965, when the two PKI members who had served as messengers were arrested and Darmodisastro of Turus was appointed first messenger (for the old village of Ngaran) and a former subdistrict official from another village was appointed second messenger.

The resignation of the second messenger in 1975 provided a good opportunity to normalize village politics by reverting to the original practice. Actually, the right to appoint village officials belongs to the *bupati*, but in practice the village headman recommends a candidate for a post to the *bupati*, and if the candidate passes the qualifying exam the *bupati* merely goes through the formality of appointing that person to the post. Given the fact that the headman wanted to normalize the village setup, it was desirable that the candidate for the post of second messenger be a resident of the old village of Ngaran, and apparently he considered Suwarno, the water official, to be the right man for the job. But Kusman recommended his younger brother, Karto, for the post, and given Kusman's role in the 1974 election, Darsono could hardly refuse. How exceptional this was can be seen from the fact that, since Karto was also from Turus, it brought about a situation in which both messengers were residents of Turus. Furthermore, in 1975 Karto was living in Yogyakarta and only returned to the village in time for the qualifying exam.

The next office that fell vacant, in 1979, was that of village secretary. Sumitro, who had been secretary since 1942, retired, and Darmodisastro, who had been first messenger until then, was appointed to succeed him. This was a natural choice. For one thing, Darmodisastro had been runner-up in the election for village headman. For another, if he were made secretary, the post of first messenger could be filled by a resident of the old village of Ngaran, thus normalizing the village setup.

After Sumitro's resignation (October 21) and before Darmodisastro's appointment (October 28) a meeting of the LSD leadership was held to decide how much pension land (*tanah pension*) should be given to Sumitro. I was allowed to sit in on the meeting, and since it provides a good example of the kind of discussion that takes place at LSD meetings regarding control and management of village-owned land, I will reconstruct the meeting, quoting at some length from my field notes.

> The meeting began a little after 7:30 P.M. at the home of the village headman. Eight people attended: Darsono, Kusman, Darmodisastro, Karto, Suwarno, Sastrowijono (in charge of social affairs), Widodo (in charge of economic affairs), and Harjodiwongso (in charge of education and culture). This meeting, to decide the size of the pension land to be given to Sumitro, was called in response to Sumitro's request, in his letter of resignation, that he be given approximately 0.9 hectare of pension land, half the secretary's salary land, in regard (*hormat*) for his contributions over the years as secretary. Since the final decision on the matter would be made only at the village meeting scheduled for December, the purpose of the present meeting was to secure a consensus among the LSD leadership in advance.
>
> The headman chaired the meeting. After explaining the matter to be discussed, he said that someone who had served as a village official for more than twenty years was automatically given, as *hormat*, one-fourth of his salary land as pension land upon retirement, the salary land of his successor being reduced by that amount. If, however, the village meeting decided

to award more than one-fourth of the salary land as *hormat*, the district office would automatically approve that decision. Therefore, the decision on the amount of pension land could be made at the village meeting—in effect, at the LSD meeting.

The first person to speak after the headman had given this explanation was Kusman. He said that, if the meeting decided to make the pension land one-half the salary land, 0.9 hectare, this would certainly satisfy Sumitro. But it would make the salary land of his successor the same size as that of a messenger, which would be a pity (*kasihan*) for him. (At that point Darmodisastro had not yet been chosen as the next secretary, but there was already a consensus on his appointment. When Kusman said, "*Kasihan*," Darmodisastro nodded in agreement.) Moreover, if Sumitro's pension land were made one-half the salary land, this would undoubtedly cause complications when the issue was raised at the village meeting. But if the meeting rejected Sumitro's request and made his pension land less than half his former salary land, Sumitro would feel that those at this LSD meeting had not shown the *hormat* due him. The LSD meeting thus should not make any decision at all, but should merely report to the village meeting that Sumitro had made this request to the headman upon his resignation and let the village meeting decide how much pension land he should receive.

Karto, Harjodiwongso, and Widodo expressed agreement with Kusman. Widodo added, however, that, if the LSD leadership presented Sumitro's request to the village meeting without itself having decided anything about the amount of pension land to be granted, this would certainly cause confusion at the meeting, and it would be unlikely to decide to award Sumitro half the salary land. Even if that happened, however, the secretary would still receive one-fourth of the salary land, in accordance with district regulations. That way the LSD leadership would not have direct responsibility for a decrease in the amount of pension land awarded and would have shown *hormat* for Sumitro.

This opinion was brushed off by the headman, however. He countered that the LSD leadership was made up of village officials and prominent people in the village and had the responsibility of guiding the village. If the LSD leadership did not put forward some kind of proposal to the village meeting regarding the amount of the secretary's pension land, not only would the meeting be thrown into confusion but also the LSD leaders and, indeed, the leadership ability of the LSD itself would be called into question.

The discussion went around in circles. At about 10:30, after the meeting had continued for three hours, Suwarno made a proposal that was unanimously accepted. He suggested that 470 square meters be added, as a sign of *hormat*, to one-fourth of Sumitro's salary land (4,530 square meters), making it 0.5 hectare. Since this amount was not greatly different from the one-fourth of salary land stipulated by the district, it would not cause problems at the village meeting. And since 470 square meters were being added, it would show *hormat* for Sumitro.

The meeting ended after 11:00, and the members talked informally until after midnight, when they dispersed. During the meeting two young men

who frequented the home of the headman served tea and sweets several times, entering and leaving the room on their knees. Darmodisastro, the candidate for the secretary's post, did not express an opinion once during the meeting; Kusman spoke out repeatedly on his behalf.

Let us look next at LSD leaders who were not village officials. After the LSD was established in 1974, Kusman, Sastrowijono, and Harjodiwongso (all of whom had been members of the Dukuh committee of the PNI) and Widodo were appointed members of the LSD and were still members in 1979. Unlike village officials, they did not receive any direct benefits, such as control of salary land, from their command of village affairs. But three of the four were civil-servant *karyawan*, and their LSD-related activities were considered a contribution to Golkar, so that although they were only elementary school teachers in 1974, two of them were later promoted to principal and one to school inspector. The fourth man, the *penebas* in Candi, rented the village rice-milling machine cheaply and became a prominent *penebas*, not only in Dukuh but also throughout the area.

The Golkar leadership in Dukuh took shape gradually after the 1974 election for village headman through appointments of village officials and LSD members. As of 1979, the process was not yet complete. The appointment of a messenger to fill the seat vacated by Darmodisastro's promotion to secretary was decided soon after, at a meeting of the LSD leadership.

Management of Village Treasury Land

Village treasury land constituted the financial base of the village administration. Dukuh had 125,815 square meters of treasury land. The way treasury land is managed varies from village to village; in Dukuh roughly half was leased for *maro* tenancy to the twelve *rukun kampung* heads and the twenty-two members of the Hansip, the village militia, the other half being leased to ordinary villagers.

Management of treasury land was determined at LSD meetings and approved at village meetings. Village meetings were held only once a year, however, and in most cases the decisions of the LSD leadership were approved. Thus the decision to lease a portion of the treasury land in *maro* tenancy to the *rukun kampung* heads and the Hansip members, as well as the decision as to who would be appointed *rukun kampung* heads and Hansip members, was in fact made by the LSD leadership. What is noteworthy here is that the form of tenancy prevailing in the case of treasury land was not the *mrapat* tenancy generally found in the case of privately owned land, but *maro* tenancy. As we have seen, except in the case of a parent and child using *maro* tenancy for livelihood security, this form of tenancy does not occur with privately owned rice fields. In other words, the LSD leadership leased half the treasury land to certain villagers in *maro* tenancy, just as a parent would lease land to a child, as what can be considered a means of broadening the base of support for the village Golkar leadership.

What kinds of people were appointed *rukun kampung* heads and Hansip members? These appointments were made by the LSD leadership on the basis of recommendations by prominent residents of the four wards. To qualify as a *rukun kampung* head one had to own rice fields and have no occupation but agriculture. In Turus five resident LSD leaders made the recommendations for *rukun kampung* head. The person appointed *rukun kampung* head in Turus was a peasant who owned and managed half a *stat* of rice fields and leased 2,000 square meters of

treasury land under the *maro* tenancy system. He frequently called at Kusman's house, and he raised pigs as well as taking care of Kusman's pigs on a vacant lot of Kusman's beside the river. It may well have been Kusman who recommended him for *rukun kampung* head.

Hansip members, meanwhile, were chosen at meetings of the LSD leadership on the basis of recommendations by LSD leaders and the *rukun kampung* heads. To qualify as a Hansip member a person had to have graduated from elementary school, not own or manage any rice fields, not have a permanent job, and be between twenty and forty years of age. Five people were appointed Hansip members in Turus, and each leased between 1,200 and 1,500 square meters of treasury land under the *maro* tenancy system. Three of the five were, and continued to be, landless peasants with no rice fields obtained through inheritance. The other two had parents who managed one and a half *stat* and half a *stat* of land, respectively.

In Turus, at least, the *rukun kampung* head may have been appointed because of his close ties with Kusman, but there does not seem to be that kind of close relationship with an LSD leader in the case of the Hansip members. Rather, what is noteworthy is the fact that the relationship created through the privilege of *maro* tenancy of treasury land did not make for more intimate relations between the Hansip members and individual LSD leaders but did strengthen the relationship between the Hansip members and the LSD leadership as a whole. In other words, leasing treasury land in *maro* tenancy to a few people strengthened the LSD system, thus stabilizing and institutionalizing the Golkar leadership in the village.

This was nothing new. If the management of treasury land before 1965 and in 1979 is compared, it is immediately clear that this land served the function of stabilizing the leadership in the period of PKI dominance, as well. Before 1965, when Dukuh was under Communist control, about 60 percent of treasury land was leased to *rukun kampung* heads and Hansip members in *maro* tenancy, and the selection of *rukun kampung* heads and Hansip members was left entirely to village headman Marto, his elder brother and Dukuh BTI chairman Sutopo, and the two village messengers, who were PKI members.

When Dukuh was under the PKI, everyone who received the privilege of *maro* tenancy of treasury land was a member of the BTI. From 1965 to 1974, however, only 20 percent of treasury land was leased in *maro* tenancy to *rukun kampung* heads and Hansip members; the rest was made available on long-term leases. Clearly this was because, for the headman, Sujono, who had been appointed by the *bupati* and came from outside the village, the stability of village finances had top priority. Thus the manner in which treasury land was managed under the present Golkar leadership and the way it had been managed under the former Communist leadership are very similar. The only difference is that, while it had been the PKI and the BTI that expanded their influence through management of treasury land, in the late 1970s it was Golkar and its institutional manifestation, the LSD, that were doing so.

The Irrigation Association and Land Leased to PNP

District regulations stipulated that the village of Dukuh lease 20 percent of its rice fields to PNP. The villagers were unhappy about this, but the leaders of the LSD, being members of Golkar, whose mandate is to support the government and its development policy, could not openly oppose the leasing of land to PNP. The LSD leadership tried, therefore, through the management of water by the irrigation

association, both to guarantee that PNP would be able to lease land for tobacco cultivation and to safeguard the interests of those managing rice fields. How was this done?

PNP began to cultivate tobacco in Dukuh in 1961. From then until 1974, the headman and village officials decided which fields were to be leased to PNP, but after 1974 the LSD leadership made the decision, on the basis of a five-year cycle of rotation. First the rice fields in the village were divided into five groups—the fields in the four wards of Ngaran, Terasan, Candi, and Turus and the village-owned fields (salary land and treasury land)—and every year half the fields in two of the groups (fields in either block A or block B in the case of the privately owned land in the wards) were leased to PNP. For example, in 1979, block B fields in Turus and Ngaran were being leased to PNP, and in 1981 block A fields in Turus and block B fields in Candi.

Tables 7 and 8 classify households in Turus according to the scale of fields managed, in order to show how this diminishes when fields are leased to PNP. As can be seen, the percentage of households with no land, which was over 50 percent to begin with, increased because of fields leased to PNP to almost two-thirds of households. This is because households with half a *stat* or less of land at their disposal lose all of it during tobacco-cultivation periods.

Table 7. Wet Rice Fields in Turus Available for Cultivation After Block A Fields Are Leased to PNP (1981) (Numbers in parentheses indicate percent.)

Scale of fields cultivated	No. households	Area cultivated (m^2)
None	61 (64.9)	—
Under 1,000 m^2	6 (6.4)	5,570 (6.3)
1,000 m^2–under 2,500 m^2	19 (20.2)	35,735 (40.7)
2,500 m^2–under 5,000 m^2	5 (5.3)	21,705 (24.7)
5,000 m^2 or over	3 (3.2)	24,730 (28.2)
Total	94	87,740

Table 8. Wet Rice Fields in Turus Available for Cultivation After Block B Fields Are Rented to PNP (1979)

Scale of fields cultivated	No. households	Area cultivated (m^2)
None	60 (63.8)	—
Under 1,000 m^2	4 (4.3)	3,820 (4.1)
1,000 m^2–under 2,500 m^2	22 (23.4)	44,660 (47.6)
2,500 m^2–under 5,000 m^2	4 (4.3)	14,935 (15.9)
5,000 m^2 or over	4 (4.3)	30,470 (28.2)
Total	94	93,885

If PNP paid a high enough rent, no one would be dissatisfied, but the rent paid was ridiculously low. According to district regulations, fields were to be leased to PNP for seven months, from May to November, and the rent on half a *stat*, or 2,000 square meters, was about 30,200 rupiah. But if land was turned over to PNP on May 1, as stipulated, rice could not be cultivated on it from February onward. Furthermore, there were only two tobacco-drying sheds (*los*) in Dukuh. Since these could

accommodate only a 14-hectare harvest a month, under the setup, whereby PNP leased 20 percent of the village's rice fields, or 20–25 hectares, it took about two months to harvest, dry, and process the tobacco leaves. Thus PNP could return the fields to their owners within the stipulated lease period; the actual lease period was eight to ten months.

District regulations also stipulated that PNP pay about 43,150 rupiah a month for each hectare of land on which it exceeded the seven-month lease period. Thus, if PNP leased half a *stat* for eight months, the rent was about 43,500 rupiah. If rice were cultivated on the land during this time, it would be possible to harvest two crops of the high-yield IR 36 strain. Income from one crop of rice from half a *stat* was about 60,000 rupiah; from two crops, 120,000 rupiah. Clearly, the rent paid by PNP was absurdly low.

Officially, PNP leased land on the basis of contracts with individual landowners. But, as can be seen from the fact that the LSD leadership stipulated which fields were to be leased to PNP, in practice it was the village that leased land to PNP, and individual landowners had to submit to its decisions. This is because the system of water use is different for rice cultivation and for tobacco cultivation, and the management and distribution of water was controlled by the LSD through the irrigation association. How, exactly, was water controlled?

The irrigation association in Dukuh was set up in 1974 to manage and maintain irrigation ditches and to coordinate water use. The association was composed of all the managers of rice fields in the village, and a *stat* is the basic unit on which the association was organized. In each ward small groups were formed, one group consisting of ten *stat* of contiguous rice fields. As we have already seen, one *stat* was frequently being "eaten" by a number of households. Thus the heads of all the households "eating" the ten *stat* of a small group belong to the group. A representative was chosen from each of these groups. There were twenty-nine such groups in the village: twenty-four were composed of people managing the privately owned fields in the four wards, and five were composed of people managing the village-owned land. These twenty-nine small groups were further organized into five larger groups, corresponding to the fields in the four wards of Turus, Candi, Ngaran, and Terasan and the village-owned fields.

The irrigation association determined the distribution of water to these groups. The water official and the irrigation association's small-group representatives discussed and decided how much water would be given to each group and when, and in line with this each group decided roughly when it would do each of the tasks—planting, hoeing, weeding, harvesting—in the rice-growing process. For example, when the high-yield IR 36 rice strain was introduced, water distribution was determined on the basis of the growing season of this strain, so that the switchover from the old strain to the improved strain took place simultaneously in all the groups in 1975.

These irrigation-association groups also formed the basis upon which the LSD leadership decided which fields were to be leased to PNP. Water use in these fields was then adjusted to suit tobacco cultivation, making rice cultivation impossible. Moreover, because the rice-cultivation tasks were carried out at the same time in each group, it was possible to shorten the PNP lease period somewhat so that the fields could be used for rice cultivation during the time saved. In figure 5, (1) shows the timetable set up by the district for transferring rice fields to PNP. This provided for turning over land to be leased to PNP little by little between late

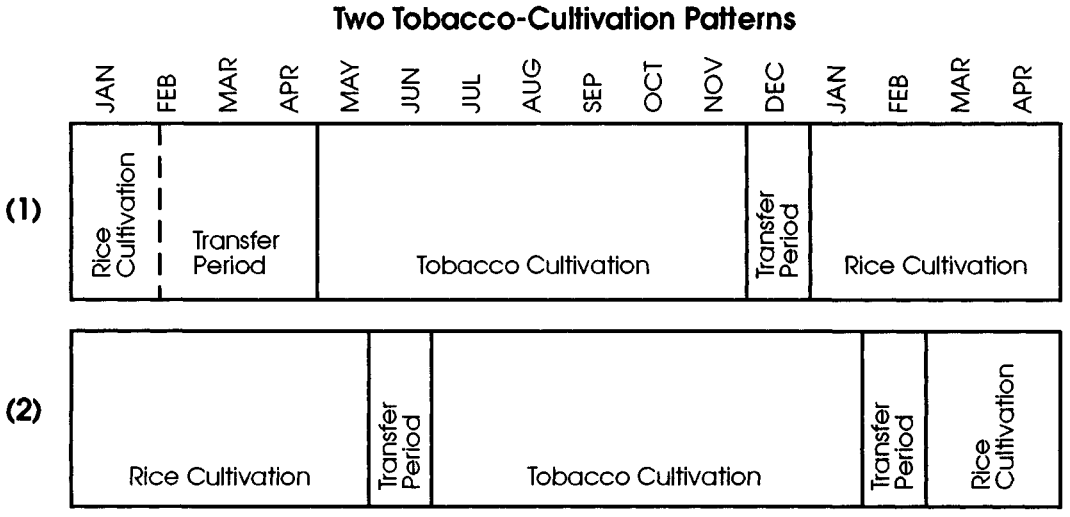


fig. 5

February and late April as harvesting was completed. But the actual manner in which rice fields were turned over to PNP in Dukuh, under the guidance of the LSD and the irrigation association, is that shown in (2). Under this method, harvesting in all fields to be leased to PNP took place at the same time, in late June, and only then were they turned over to PNP.

Thus, while the LSD leadership agreed to lease land to PNP for tobacco cultivation and strived to ensure that plantation activities would run smoothly, it also tried to protect the interests of the rice-field managers as far as possible within this framework. But its efforts did not eliminate the dissatisfaction of those managing rice fields, particularly those who lost the land under their management or found it drastically reduced every time they had to lease land to PNP. And obtaining a substantial raise in the rent paid by PNP was beyond the power of the village's Golkar leadership. If, despite all this, the dissatisfaction of those managing rice fields did not develop into a movement to demand a raise in the rent paid by PNP or to oppose the leasing of land to PNP, it was because political forces capable of organizing that kind of dissatisfaction were not allowed to exist.

Conclusion

On the basis of the above analysis, we can summarize as follows the control of wet-rice fields (ownership and management of privately owned fields, control of salary

land, and management of treasury land) and of water in Dukuh and the structure of the Golkar leadership there as it manifests itself through these.

Although the *kuli kenceng* system introduced during the Dutch era was abolished, it prevented the emergence of landlords controlling vast holdings, and the notion of a *kuli kenceng* as a person holding one *stat* of rice fields survives to this day as the normative model of rice-field ownership. This does not mean that class differences with respect to ownership and management of privately held land do not exist. Even in the late 1970s, relatively few households (mainly those of civil-servant *karyawan*) owned even one *stat*. The scale of rice-field ownership was becoming smaller and smaller with the "eating" of a single *stat* through inheritance, and the sale of land was giving rise to landless households.

There is a tendency in rice-field management for civil-servant *karyawan* to augment the land under their management by leasing land. But whether land is leased in *mrapat* tenancy or is managed by the hiring of agricultural workers, the relationships between landlord and tenant or agricultural worker formed in the context of this kind of rice-field management do not tend to foster warm, personal ties but remain strictly economic in nature.

Therefore the human relations that evolve from the ownership and management of privately owned rice fields have no direct political significance. Scale of ownership and management of privately owned fields in Ngaran being small, it is, rather, salary land—which makes up a little less than 10 percent of village rice fields—that becomes important as remuneration to village officials. Thus the 1974 election for village headman was an open contest between former PNI *karyawan* for control of the 3.6 hectares of salary land that went with the post. Moreover, the Golkar leadership in Dukuh took shape on the basis of appointments to other village posts, each of which had its share of salary land, and to leadership posts in the LSD, which assured promotion to civil-servant *karyawan*.

The working of the village's Golkar leadership can be seen in the dominance of village politics exercised by the LSD leadership. By leasing in *maro* tenancy half the village treasury land, which constitutes about 10 percent of all the village's rice fields, to *rukun kampung* heads and Hansip members, the LSD expanded Golkar's base of support and promoted the institutionalization of the LSD itself.

In 1979 the most serious threat to the interests of the owners and managers of rice fields was the land leased to PNP. This is because of the unreasonably low rent paid for this land, and, in the case of Turus, two-thirds of all households were deprived of land to manage because they had to lease it to PNP. The LSD was not in a position either to oppose the leasing of land to PNP or openly to demand payment of a higher rent. It therefore attempted, through the irrigation association's control of water, to ensure that PNP would be able to lease land and cultivate tobacco, on the one hand, and to protect the interests of managers of rice fields, on the other.

It goes without saying that politics in Dukuh represents only one case; to what extent the institutionalization of the LSD as the instrument of control over village affairs by civil-servant *karyawan* was occurring generally in Javanese villages will be known only with further studies of village politics. Nevertheless, one thing can certainly be said. Time does not flow at the same speed in the villages of Java as in Jakarta. Great changes took place in Jakarta, symbolized by the rapid transformation of the city itself, first in the transition from the "old order" to the New

Order, then under the New Order. Indonesia has been reconstructed as a bureaucratic state, with power, wealth, and prestige concentrated in the hands of the military, the bureaucratic elite, and the well-connected businessmen who operate under their patronage. In villages, however, control of salary land, management of village treasury land, and the conflicting interests of PNP and rice-field cultivators continue to define the dynamics of village politics.

This paper, based on field research in 1979, was originally published in Japanese under the title "Nōson no seijigaku: Chūbu Jawa no mura kara" [Village politics in a central Javanese village], *Chiiki kenkyū* [Area studies], ed. in Tōru Yano (Tokyo: Mitsumine Shobō, 1987), pp. 247–83.

This page intentionally left blank

5

THE DEVELOPMENT OF BUSINESS GROUPS IN INDONESIA: 1967–1989

Yuri Sato

1. INTRODUCTION

More than two decades have passed since the New Order government in Indonesia started to take steps toward economic development in the late 1960s. Since then Indonesia has pushed forward the course of industrialization, achieving, especially in the first decade, the remarkable growth rate of almost 8 percent per year. This rapid growth was due, first of all, to the policy turnabout initiated by the New Order government. The basis of its new economic policies was liberalization of foreign exchange, foreign trade, and investment systems, and active industrial policies to promote domestic industries. Second, the rapid growth was due to positive external conditions. Two oil price upsurges in the 1970s were followed by dramatic improvement in Indonesian terms of trade, and they resulted in a great increase in development funds for the government and Bank Indonesia.

In the second decade, external conditions deteriorated in 1982 after the second oil boom, and the government's role as financier and subsidizer for economic development drastically diminished, which had a broad negative effect on domestic economic activities. However, it should be noted that, unlike most other oil-producing countries, the process of industrialization as a whole was not retarded by this adverse circumstance. As it turned out, the post-oil recession, which was not cyclical but structural, forced Indonesia to transform its oil-buoyed economic structure into a cost-conscious, efficiency-conscious one, and this attempt at self-transformation of the economy seems to have succeeded to a large extent.

Amid these vicissitudes of the macro economy, the micro economy also notably changed. One sign was the rise of domestic private capital, which has been used to form business groups. Although in recent years their performance has come into prominence, these business groups are not a new phenomenon but the result of gradual accumulation during the past two decades. The initial development of domestic private capital in the 1970s was very dependent on exogenous positive factors, that is, political stability, new economic policies, boom conditions caused by the double oil price upsurge in general, and patronage by political or military leaders in particular. These positive conditions provided good opportunities for infant private companies to incorporate their limited business resources with state and foreign resources, and then to accumulate their own capital as well as technological and managerial know-how. Throughout the 1970s, private companies not only achieved

quantitative progress in terms of the number of companies and scale of production, but also qualitative change in the sense that major private companies seem to have discovered their own ways of doing business, their own growth strategies, and their own philosophies of management. It was due to these endogenous forces that, even after the external conditions worsened in the 1980s, dozens of private companies could continue their steady, sometimes rather rapid steps of development. As a result, these leading private companies, which took the form of business groups, began to feel pride in themselves and to act as a unit. It is noteworthy that throughout the two decades under the New Order government, domestic private capital became the single leading economic actor for the first time in Indonesia's long economic history.

Needless to say, Indonesian economic development has attracted wide attention from economists both inside and outside the country. A considerable quantity of macro-economic literature has attempted to analyze the nature of the Indonesian economy under the New Order, sometimes using minute analytical tools.[1] Unfortunately, however, there have been very few studies on problems of the micro economy, that is, structural and historical analysis on the industry level as well as on the economic actor level; for instance, impact of government industrial policies and companies' reactions in a specific industry, ownership structure and interrelations of state, private, and foreign capital, and studies of business groups in economic perspective.

There are several reasons for the lack of such micro-level studies in Indonesia. The first is the lack of disclosed data and information. Financial data from the Stock Exchange which is usually the major source of information for micro studies is of little use there, because of the very limited number of listed companies (twenty-four companies up to the beginning of 1989). Such essential documents as financial reports and shareholder meeting reports are almost all closed, so that such indicators of individual companies' performance as sales, profits, and assets, are available from neither public nor private sources, except with respect to the banking and other financial sectors which are obligated to present financial reports.

The second, more fundamental, reason is the historical weakness of private capital in Indonesia. Looking back over the past century, we can see no large landowner class like that of the Phillipines and Argentina which later produced private industrial capitalists in the early stage of economic development. Nor was there money-lending capital in the private sector as in Thailand and prewar Japan which later developed into financial conglomerates. In Indonesia, colonial capital and then state capital performed a role in such functions as landownership and financial transactions. The environmental conditions for the rapid growth of private capital were not in place until the late 1960s. (It may be for this reason that research interest in private capital has so far been very weak in accord with its own delayed development.)

The third reason is sociopolitical and related to the Chinese problem. Micro studies on companies, especially on big business, cannot avoid alluding to the Chinese problem, because in fact, the majority of large companies and business groups are owned and managed by Indonesian Chinese based on their historical and

[1] There is a great deal of macroeconomic literature on the Indonesian economy in the New Order era, including in particular, A. Booth and P. McCawley, ed., *The Indonesian Economy During the Soeharto Era*, (Oxford: Oxford University Press, 1981), and H. Hill, *Foreign Investment and Industrialization in Indonesia* (Singapore: Oxford University Press, 1988).

sociological background. Since there has been deep-rooted anti-Chinese sentiment in Indonesian society, especially with the development of economic nationalism in the 1970s, pure economic interest in the developent of private capital has so far been easily switched over to a racial or political problem which is regarded as sensitive by the government. Therefore, the government has strictly controlled information relating to this problem, and Indonesian Chinese businessmen have become too cautious to open their real state of business to the public.

Despite these limitations, there have been some attempts at micro-analytical studies, the most important of which are those of Richard Robison,[2] who attempted and succeeded for the first time in transforming scattered documents and journalistic information on business affairs into a piece of academic literature in his politico-economic theoretical framework. The main contributions of his work are: first, with concrete evidence and a number of case studies, he clearly demonstrated the rise of domestic capital (state as well as private) as the most crucial factor in Indonesian economic development, and he anatomized the constituent elements of domestic capital; second, he succeeded in describing the development process of individual companies and capitalists in close connection with the power structure of the state, government development policies, and the vicissitudes of the macro-economy. Despite these significant merits, however, his analysis does not fully explain why and how domestic private capital, particularly through dominant business groups, could continue to develop throughout the 1980s. His major interest was set on the exogenous growth factor of private capitalists, namely their "politico-military patronage," and their resulting dependent or rent-seeking nature. This patronage certainly explained to a large degree their development path until the end of the 1970s. However, in the 1980s and, in particular, in very recent years the same framework can no longer provide adequate explanations for their behavior and their growth: nor can it foresee their future progress. (A recent theoretical and analytical work by Yoon H. Shin[3] also cannot avoid the same criticism.)

In the author's view, the endogenous forces of private capitalists themselves made their growth momentum continue in the 1980s, even in a situation of declining national economic growth, the declining role of the state, and declining politico-military patronage. The endogenous factors, which Robison hardly referred to, are corporate strategies to cope with the given external conditions, ranging from the fields in which to invest, and how to accumulate business resources, to how to organize the corporation on the strategic level. The author's standpoint is that the development of Indonesian private capital should be analyzed from both exogenous and endogenous factors and that the so-far-neglected endogenous side should be paid special attention.

To this end, the purpose of this paper is to present a clear description of the present position and the development process of Indonesian private capital, with special focus on endogenous factors of growth, based on first-hand data as far as it is available, so as to contribute toward an understanding of the dynamism of private capital as the most essential component of the present-day Indonesian economy.

---

[2] R. Robison, "Capitalism and the Bureaucratic State in Indonesia: 1965–1975" (Ph. D. dissertation, University of Sydney, Australia, 1977); idem, *Indonesia: The Rise of Capital* (Singapore: Asian Studies Association of Australia, 1986).

[3] Y. H. Shin, "Demystifying the Capitalist State: Political Patronage, Bureaucratic Interests, and Capitalists-in-Formation in Soeharto's Indonesia" (Ph. D. dissertation, Yale University, 1989).

The most basic and important data sources for this research were official gazette supplements (*Tambahan Berita Negara*, TBN) published by the Department of Justice. Every stock company is required to announce publicly an article of association and its modification in TBN.[4]

Other than official gazette supplements, the study owed much to a variety of secondary sources, including information on business groups, as well as industry surveys from such private data companies as Datatrust, Pusat Data Bisnis Indonesia, CISI Raya Utama, Data Consult, Indoconsult, directories and Who's Who, and articles and advertisements in newspapers and magazines in Indonesian, English, and Japanese.

2. Capital Ownership Structure and the Position of Dominant Private Capital

A. The TBN Data

The ownership structure of the Indonesian economy has been a controversial issue among economists in general as well as among political economists. Unfortunately, however, very few empirical studies grounded in the objective data of ownership structure have been attempted.[5] Besides, these few studies, which surely contribute to our understanding, depend on the same secondary source of data, namely, Industrial Statistics by the BPS.

Consequently, with an analysis based on an entirely new source of data this study should, despite some limitations, shed light upon a different aspect from the preceding studies. The purpose of the present section is, through analysis of my own company data file, to demonstrate that private capital is the most important component in the domestic capital ownership structure, and to make clear the position and role of business groups as dominant private capital. First of all, this TBN data file is introduced; next, the main findings from the TBN data analysis on Indonesian capital ownership structure are shown, focusing on which industries private capital controls and what its relations are with state and foreign capital. The subsequent section spotlights business groups as a central force in the private sector and analyzes their position in terms of their accumulated capital and the present scale of sales.

The Company Act in the Commercial Code of Indonesia stipulates that stockholders of every stock company (PT: Perseroan Terbatas) are obliged to register an article of association (Anggaran Dasar) of their company to a concerned regional court of justice and are concurrently obliged to announce the article of association in an official gazette supplement (TBN) on the occasion of establishment of the company and alteration of the article of association.[6] Official gazette supplements are published by the Department of Justice in 10 to 25 volumes every year. Therefore, in the present situation of data unavailability, articles of association of stock

---

[4] For a detailed explanation of TBN data see below, section 2.A.

[5] Studies referring to ownership structure are "The Growth of Industrial Sector" in Booth and McCawley, *The Indonesian Economy*; V. N. Balasubramanyam, "Factor Proportions and Productive Efficiency of Foreign Owned Firms in the Indonesian Manufacturing Sector," *Bulletin of Indonesian Economic Studies* [hereafter *BIES*] 20, 3 (1984); H. Hill, "Concentration in Indonesian Manufacturing," *BIES* 23, 2 (1987).

[6] The Commercial Code of Indonesia, Book I, Chapter II, Section III (the Company Act), Article 38.

companies carried in the official gazette supplements constitute a valuable primary source of information on stock companies, disclosed and legally assured.

From the information contained in articles of association of stock companies, the author compiled into a data file such data as the name of the company, names of founders, the date and place of establishment, objectives viz. range of business, capital of the company (authorized capital, subscribed capital, and paid-up capital), names of stockholders, numbers and values of stocks assumed by each stockholder, distinction of preferred/ordinary stocks, the range of competence of stockholders' meeting and board of directors, names of directors (*direksi*) and auditors (*komisaris*) and so on.

(1) Time Span

TBN available in Jakarta at present are from the 1920s to 1986 at the latest. In the colonial days, official gazette supplements were called *Javasche Courant* which carried articles of association. The *Javasche Courant* before the 1920s, from what I could ascertain, can be traced back to around the 1840s at the Royal Institute of the Tropics in Amsterdam, the Netherlands. However, as the first step of compilation, the TBN data file covers only stock companies newly established since the late 1960s up to around 1985, which are recorded in TBN issued from 1970 to 1986. Since the present study focuses on the progress of private companies from the late 1960s under the New Order government, a historical survey before this period is beyond its scope.

(2) Size of Companies

The TBN data file is concentrated on the collection of data, not of all companies but of large companies, in order effectively and efficiently to grasp the main trends of development of private companies. For this purpose, it is necessary to set a certain criterion for what constitutes a large company.

In Indonesia there are various definitions of large companies. In the Industrial Statistics, the BPS classifies all plants (not companies) in the manufacturing sector into four categories according to the number of employees in each plant: large industry plants with 100 or more employees; those of medium industry with twenty to ninety-nine employees; those of small industry with five to nineteen employees; and those of cottage industries with fewer than five employees.[7] The Department of Trade defines large companies in the trading sector by their assets: large companies have assets above Rp. 75 million; medium-sized companies have assets between Rp. 25 million and Rp. 75 million; and small ones have assets below Rp. 25 million.[8]

The Bank Indonesia has another definition covering all industries and based on the size of capital or net assets[9] of companies. They define small companies as those with capital or net assets below Rp. 100 million in the manufacturing and construction sectors and below Rp. 40 million in the nonmanufacturing nonconstruction sectors.[10]

---

[7] This definition has been applied since 1974. See *Statistik Industri Besar dan Sedang* (Jakarta: BPS, 1985), p. xxiii.

[8] The Decree of Minister of Trade and Cooperative, No. 4/1980, dated January 7, 1980.

[9] Net assets are defined as total assets minus land and buildings.

[10] The Bank Indonesia set the category of small business in line with the implementation of Small Investment Credits (KIK) and Permanent Working Capital Credits (KMKP) programs

The TBN data file applies the Bank Indonesia's definition, because the TBN data contains neither assets nor the number of employees, and also because industrial coverage of the TBN data file matches that of the Bank Indonesia. However, as it is better to have a unified criterion for all industries for the convenience of data collection, the modified definition of large companies in the TBN data file come to be simply "companies with authorized capital over Rp. 100 million."

Thus, the TBN data file is composed of all newly established stock companies in Indonesia with authorized capital over Rp. 100 million, the articles of association of which were issued in 1970–1986 TBN. The total number of companies is 4,496, and the cumulative number of stockholders is 19,362 persons. The distribution of 4,496 companies by the year of establishment is shown in Table 1.

(3) Coverage of Industries

Since the TBN data file is composed of articles of association of all companies that fulfill the above condition of authorized capital, it naturally covers all industries reflecting industrial distribution as it stands.

Table 1. Distribution of 4,496 Companies by the Year of Establishment

–1969	136	1978	242
1970	209	1979	288
1971	239	1980	338
1972	280	1981	329
1973	342	1982	331
1974	239	1983	335
1975	268	1984	270
1976	249	1985	177
1977	224	total	4,496

Industrial classification of companies in the TBN data file is based on the range of business stated in articles of association. The problem is that the manner of statement varies widely among the companies. Some companies mention the specific business they engage in with specific goods and services they produce, like "manufacturing parts and components of automobiles" or "spinning with cotton and polyester, weaving, dyeing, printing and finishing of clothes, and general trade." But some companies mention a wide range of business in the abstract, like "general trade, industry, mining, transportation, agriculture, plantation, fishery, contracting, warehousing, and tourism." The latter case may be mostly so that the company need not alter the articles of association on every occasion it expands the range of its business. For this type of company, there is no alternative to classifying it as "multipurpose." "Multipurpose" companies, as a matter of fact, include several types: Jacks-of-all-trades, multipurpose companies in name only; and stockholding companies. The last are included because setting up companies only for the purpose of stockholding is in fact not accepted by the Department of Justice.

Unlike the TBN data file, the BPS data is limited to industry in a narrow sense (from thirty-one to thirty-nine in ISIC industry groups), that is to say, the manufacturing sector. In the meantime, the BKPM data does not include the financial sector (viz. banking, insurance, and leasing) and the oil and gas sector where

started in 1974. For detailed criteria of small business, see Bank Indonesia Circular No. SE 7/51/UPK dated March 31, 1975.

investment procedures are authorized not by the BKPM but by the Department of Finance and the Department of Mining respectively. Other than these two officially excluded sectors, the BKPM data actually contain very few projects classified in trade, printing, and publishing.

Table 2 sums up differences among three kinds of data in terms of time span, criterion of data collection, industrial coverage, and their main contents.

Table 2. Comparison of TBN, BPS, BKPM Data

Data	TBN	BPS	BKPM
Period	1969–1985	1983	1967–1986
Criteria of data collection	Authorized capital above Rp. 100 million	Employees above 20 persons	All projects approved by BKPM
Industrial coverage	All industries	Manufacturing	All industries except financial and oil & gas
Main contents of data	Name of company Equity capital Shareholders Directors and auditors	Gross output Value added Employment Categories of ownership	Name of company Investors Investment value Employment
Number of data	4,496	2,540*	4,507**
Unit	Company (PT)	Plant	Project

Notes: * Out of 8,012 plants in 1983 Industrial Statistics for large and medium industries, 2,540 plants are in form of stock companies (PT).

** Total of new investment and expansion projects in actual base.

Significance of the TBN Data File

The BPS data containing gross output, value added, and employment data is, needless to say, very useful for studies on manufacturing production, productivity, factor proportions, and so on. The BKPM data provides investment values in total, industrial, as well as project level. The TBN data file cannot compete in these aspects. Instead, it has an irreplaceable uniqueness in industrial coverage and capital ownership.

Its first significant merit is that it is the first data file covering all industries, so that it can provide an overall view of distribution of companies and capital in the Indonesian national economy.

Second, a salient feature of the TBN data file exists in the special focus on capital ownership of a company. Equity capital is the only yardstick peculiar to an individual company in the present situation where no other wide-ranging financial data on companies such as sales, profits, and assets are available.

Third, the main result of the focus on equity capital is that by the TBN data file we can tell 1) the composition of three categories of capital ownership, namely, state capital, domestic private capital (hereafter private capital), and foreign capital, on the level of a company as well as the national economy; 2) the composition of individual capital ownership; and 3) its interconnection between companies where a shareholding person or company functions as a knot. A close analysis of the interconnections leads to identification of a group of companies knotted by one or more shareholding persons or companies.

Last, we can observe the transition of equity capital ownership in time series. For one company, we can tell the amount and the composition of equity capital at

the time of establishment and in the changing process (viz. capital increase/ decrease and changes of shareholders and each composition). In the aggregate term, we can also tell the total sum of vested equity capital and its composition by industry or by category of ownership (viz. state, private, or foreign capital) at a specific point in time. The consequence is that the TBN data file can describe an important aspect of the process of capital accumulation, not only by unit of company but also by unit of group of companies, by industry, by category of capital ownership, and in the whole economy.[11]

In sum, under the existing conditions of available companies' data, the TBN data file is one of the best information sources for observing the development process and ownership structure of individual companies, groups of companies, industries, and of the national economy.

The TBN data file, of course, has its own limitations and demerits, which it is necessary to identify.

The first limitation is the yardstick of the TBN data itself. Equity capital, in the sense of the sum of issued stocks of a company, is merely one aspect of the financial attributes of the company. The scale of equity capital is sometimes smaller than the real scale of companies' economic activities, particularly in the trading and service industry. Besides, since loans play an increasing role in financing, the scale of equity capital has come to be far smaller than the scale of total investment. Therefore, the yardstick should be complemented with other financial data, such as sales, assets, and investment, as far as possible.

The second limitation is attributed to the time coverage, in which the file only contains companies newly established after the late 1960s, with the consequence that those set up before the late 1960s are excluded. Of those excluded companies, some have retained a crucial position in their particular industries up to the present, so that we should take this omission into account in interpreting results of the data file. They include, for example, state-owned companies taken over from the Netherlands before the late 1960s, leading private banks taken over or newly established in the 1950s to 1960s, and shareholding companies as a core of business groups set up in the 1950s to 1960s.

Another omission due to the data coverage of the file are companies other than stock companies (PT). Those exluded are Firma (unlimited partnerships) and C. V. (limited partnerships) which are generally not so large. What are more important are state-owned corporations. Whereas state-owned stock companies (PT Persero) are covered, other forms of state-owned corporations are excluded, such as Perum (Perusahaan Umum: public corporations such as electricity and water companies), Perjan (Perusahaan Jawatan: public-service corporations such as railways and bus transportation companies), Pertamina (state-owned oil company based on the special law), state-owned banks, and others.[12] Among them, the exclusion of Pertamina significantly influences the analysis results; equity capital in the oil and gas sector in the TBN data file is mainly invested by nonstate capital and the total sum is rather small, which does not reflect reality.

---

[11] The analysis of capital ownership structure in this study is at a point in time as of 1985. An analysis in time series must be reserved for further data processing.

[12] As of 1988/89, there were 213 state-owned corporations: 155 PT Persero, 33 Perum, 2 Perjan, 1 Pertamina, 8 state banks, 7 PN and 7 PT Lama. The latter two are the old status not in accordance with the Law on State-Owned Corporations (No. 9/1969).

A related point is that the TBN data file only contains companies established on Indonesian soil because of the very nature of the data source, viz. official gazette supplements. In fact, overseas investment by Indonesian-owned companies has been increasing in the last decade, but the present situation is that there are no collective documents to give evidence of overseas activities by Indonesian capitalists. For the present, one can only supplement the TBN data analysis with some journalistic information on overseas activities on an individual company basis.

Taking these omissions into account, the description represented by the TBN data analysis needs to be regarded as incremental capital accumulation in the Indonesian domestic economy in the form of equity capital of stock companies after the late 1960s.

The last limitation is that the TBN data does not follow dissolutions and liquidations of companies. Articles of association of companies show mergers and acquisitions in the changing process of shareholding compositions, but do not reveal company dissolutions and liquidations, though such cases also have to be announced in public. Therefore, it is inevitable that the TBN data file contains already dissolved, liquidated, or inactive companies. We should take into account these limitations of the TBN data file in interpreting the analysis results.

B. Private Capital in Comparison with State and Foreign Capital

Table 3 shows a distribution of companies and capital of the TBN data file by ownership as of 1985. In the company analysis on the left side, 4,496 companies are divided into private companies (P), state-owned companies (S), and foreign-joint companies (F), each of which is classified by industry. In the capital analysis on the right, total equity capital (subscribed capital) of 4,496 companies, viz. Rp. 3,737.7 billion, is divided into private capital <P>, state capital <S>, and foreign capital <F>, each of which is also classified by industry. For instance, in a foreign-joint company, equity shares owned by local partners are counted as private capital and those owned by foreign partners are counted as foreign capital, with the consequence that analysis by capital represents the real portion of each capital ownership category. In this manner, the table displays the ownership structure of all large companies established in Indonesia since the end of the 1960s up to 1985.

In aggregate terms, the main findings from Table 3 are summarized in the following points.

First, the most significant result is that private companies account for 80 percent of total companies and private capital accounts for 47 percent of total capital, which proves that the domestic private sector occupies the major and largest portion of the three categories.

Second, comparison between company and capital analysis shows that the private portion of capital (47 percent) is far smaller than that of company (80 percent), whereas the state portion is the reverse, 34 percent in capital against 3 percent in company. This is obviously because the average size of capital per company is small in the private sector; that of the state sector is twenty times as large and even that of the foreign sector is about twice as large, as is shown in the lowest column of capital analysis in the table.

Third, comparing shares in the manufacturing and non-manufacturing sectors, the private share is relatively even in both sectors, whereas the foreign share is higher in manufacturing and the state share is higher in non-manufacturing in terms of company as well as capital composition. (The fact suggests the nature of

Table 3. Distribution of Companies and Capital by Ownership Based on TBN Data as of 1985

Industry	Sub-Industry	Number of Companies (P)	(S)	(F)	(T)	Sum of Capital <P> (%)	<S> (%)	<F> (%)	<T> (Rp bil)	Capital per company (Rp mil)
Food	Food	135	2	28	165	86	5	9	47.3	287
	Beverage	14	2	5	21	81	3	16	8.2	390
	Cigarette	22	0	8	30	89	1	10	8.5	283
Textile	Textile/Garment	182	5	57	244	49	25	26	198.6	814
	Leather/Shoes	15	0	1	16	100	0	0	2.5	156
Forestry	Wood product	229	3	97	329	84	3	13	244.3	743
	Furniture	8	0	2	10	92	0	8	3.3	330
Pulp & Paper	Paper product	32	3	7	42	19	67	14	150.4	3,581
Chemical	Basic chemical	49	8	41	98	15	73	12	267.2	2,727
	Chemical product	84	1	18	103	90	1	9	26.2	254
	Pharmaceutical/ Cosmetic	53	2	38	93	11	3	86	113.3	1,218
	Rubber Product	21	0	5	26	83	3	14	29.4	1,131
Nonmetal	Ceramic	19	0	2	21	95	0	5	11.1	529
	Glass	11	1	6	18	60	24	16	20.6	1,144
	Cement	28	2	13	43	88	2	10	254.7	5,923
	Stone crushing	23	0	0	23	100	0	0	11.1	483
Metal	Basic metal	34	1	21	56	76	2	22	217.1	3,877
Machinery	Metal product	108	4	58	170	64	17	18	82.2	484
	Machinery	30	4	20	54	7	87	6	283.8	5,256
	Electrical appliance	68	1	27	96	27	0	73	166.8	1,738
	Transportation equipment	90	8	33	131	47	23	31	283.1	2,161
	Precision equipment	6	1	5	12	29	24	48	9.5	792
Other Manufacturing		23	0	0	23	100	0	0	7.4	322
Subtotal Manufacturing (share (%)/capital per company (Rp. mil))		1,284 (70)	48 (3)	492 (27)	1,824 (100)	48 (915)	29 (14,781)	23 (1,144)	2,446.5	1,341
Agriculture		125	23	12	160	21	77	2	332.1	2,076
Fishery		28	4	15	47	62	8	30	22.9	487
Mining	Oil & Gas	23	0	30	53	70	2	28	34.3	647
	Other mining	5	3	6	14	2	89	9	131.1	9,364
Construction/Real Estate		599	14	94	707	67	10	23	207.7	294
Trade		492	12	2	506	82	18	0	73.7	146
Transpor-	Sea	58	7	11	76	33	63	4	53.8	708
tation	Air	5	3	3	11	7	89	3	74.7	6,791
	Land	24	2	0	26	66	34	0	5.9	227
Financial	Banking	35	2	9	46	45	46	9	33.3	724
	Insurance	40	6	9	55	66	31	3	33.1	602
	Leasing	12	0	29	41	39	9	52	78.3	1,910
Printing & Publishing		57	2	4	63	85	5	9	8.1	129
Service		190	4	28	222	56	18	25	111.6	503
Multipurpose		642	0	0	643	100	0	0	98.1	153
Other Non-Manufacturing		0	1	1	2	7	81	12	0.6	300
Subtotal Non-Manufacturing (share (%)/capital per company (Rp. mil))		2,335 (87)	83 (3)	253 (10)	2,672 (100)	44 (243)	44 (6,843)	12 (612)	1,290.9	483
Total (share (%)/capital per company (Rp. mil))		3,619 (80)	31 (3)	745 (17)	4,496 (100)	47 (485)	34 (9,701)	20 (1,003)	3,737.7	831

Note: Company: (P) private companies, (S) state-owned companies, (F) foreign-joint companies.

Source: Calculated from TBN data file.

private capital as the basis of capital distribution and the nature of state and foreign capital as the bearer of a particular role.)

In sum, general observations prove that private capital as an aggregate of the relatively small scale of capital per company constitutes the major and fundamental component in the manufacturing as well non-manufacturing sector.

Now, let us observe the same table by industry. The first question here is what industries the respective ownership categories are in charge of. For state ownership, industries with state capital shares of above 60 percent are paper products, basic chemicals, machinery in manufacturing, agriculture, mining, and air and sea transportation in the non-manufacturing sector. These industries require too large capital to be assumed by the private sector (like capital goods production and plantation), and/or relate to public utilities, public properties, and national defense (like transportation, mining, and military weapon production).[13]

On the part of foreign ownership, industries with more than 50 percent of foreign capital shares are pharmaceuticals and cosmetics, electrical appliances in manufacturing, and leasing in the non-manufacturing sector. The common feature of these industries is that import of foreign technology/know-how for the concerned goods or services is quite indispensable.

It may safely be said that the sphere of private capital comes to be the portion left after subtracting the state and foreign spheres, with the respective specific role as stated above. The private shares are naturally high in some traditional industries where neither large capital nor technology introduction is a prerequisite, such as food, cigarettes, leather, furniture, chemical products, ceramics, stone crushing, fisheries, trading, and the printing and publishing industries.

The second question is the relations those three ownership categories have with each other. Minute investigations of the three categories' shares by each industry gives us the following two dominant relations. When the state share in capital composition is in the majority, both private and foreign shares are likely to be very low; when the foreign share is in the majority, the others' shares are not necessarily low: the private share especially is often relatively high (in pharmaceuticals and cosmetics, electrical appliances, and leasing industries). This observation indicates that the relation between state capital and foreign/private capital is complementary, while the relation between private and foreign capital is collaborative. In other words, state capital takes charge of large-scale capital-goods and/or strategic industries, while foreign/private capital takes charge of medium/small-scale, intermediate/consumer-goods industries. This nicely fits with Thee and Yoshihara's[14] observation about the manufacturing sector: "upstream socialism, down-stream capitalism." For the latter seemingly collaborative relation between private and foreign capital, we should go into detail and examine whether or not the relation is a true alliance between the two, by identifying the position of dominant private capital in the next section.

Another result of the investigations concerns what Peter Evans called "an alliance of multinational, state and local capital," a prevalent structure in some developing countries where the three kinds of capital share balanced spheres of the

---

[13] PT (Persero) Pindad, a state-owned company producing weapons for the Indonesian Armed Forces, has exceptionally large equity capital for one company (Rp. 240 billion), so that the state share in the machinery industry is raised to as high as 87 percent.

[14] K. W. Thee and K. Yoshihara, "Foreign and Domestic Capital in Indonesian Industrialization," *Southeast Asian Studies* [Kyoto University] 24, 4 (1987).

economy.[15] Such structure is observable to some extent on the macrolevel also in Indonesia, as is shown in capital composition in total industries, namely, private 47 percent, state 34 percent, and foreign 20 percent. Nevertheless, on the industry level, what is dominant is not the alliance of the balanced three but the two relations mentioned above. The alliance of the balanced three is observed only in a few industries in the manufacturing sector, such as textiles, transportation equipment, glass products, and precision instruments. Why has the alliance of the balanced three been formed only in those industries in Indonesia? A key to answering this question may lie in the unique development pattern common to these industries. By the early 1970s, state capital had been invested as an initial starter of these industries. After that, foreign capital entered in the first half of the 1970s and exhibited its power to act as a traction engine; then private capital has gradually grown up by joining with and/or by dealing with the foreign-joint companies.

To sum up the analysis by industry: first, state capital and foreign capital seem to play specific respective roles; state capital in capital-goods and/or strategic industries where large capital is required and foreign capital in industries where foreign technology/know-how is indispensable. Second, the dominant relations among the three ownership categories are the complementary relation between state and foreign/private capital and the seemingly collaborative relation between foreign and private capital. But the latter relation needs further examination.

C. The Position and the Role of Dominant Private Capital

As the next step of analysis, we will identify dominant private capital and place it within the overall capital distribution, in order to approach the nature and the role of private capital more vividly.

Dominant private capital is represented by business groups as defined in the broad sense: a group of companies under the same capital ownership. A company is regarded as having the potential to form a business group if at least one shareholder of the company is common with another company. If those companies with common shareholders amount to more than five, they are regarded as forming a business group.

In an extremely inductive manner, I examined all the names of shareholders (as many as 19,362 persons) of all the companies (4,496 companies) compiled in the TBN data file, and detected 129 business groups according to the above definition. So it is safe to say that around 129 business groups with above five companies have been formed in the process of Indonesian economic development since the end of the 1960s up to 1985.

In the following, I will attempt two kinds of analysis of business groups. First, the 129 business groups are analyzed in terms of their weight in respective industries by the number of companies and by capital, in the same manner as the preceding section. This approach has merits in examining their weight as a result of capital accumulation during the studied period and in observing their industrial distribution and relations with foreign capital. However, one should bear in mind here that the results relate to the degree of capital accumulation in the historical sense, but never refer to seller concentration ratios in the respective industries in the

[15] P. B. Evans, *Dependent Development: The Alliance of Multinational, State and Local Capital in Brazil* (Princeton: Princeton University Press, 1979).

contemporary sense. So this analysis does not necessarily make clear the economic power of business groups at a certain point in time. For this reason, the second approach is attempted where, with the measure of estimated group sales as of 1986, the 47 largest business groups are extracted out of 129 groups and their total scale in the national economy examined. For all the results, comparisons from an international perspective are attempted as far as possible.

The 129 business groups in the TBN data file may include both old and new groups, and also both the growing and declining ones. Nonetheless, analysis in the aggregate is still effective in the sense that it reveals the total sphere accumulated by business groups since the end of the 1960s up to 1985; in other words, the degree of development of Indonesian business groups during the past two decades.

Of all large companies set up during this period, 1,030 companies, or 23 percent of the total, belong to business groups, and Rp. 978 billion, or 26 percent of the total equity capital is owned by business groups. But such aggregated numerical values are not so significant; rather, more important questions here are what weight and distribution the group companies (or group capital) show and what relations they have with foreign capital.

Table 4 shows the results of analysis by the number of companies. The companies which belong to business groups (hereafter referred to as group companies signified as (G) in column 2) are either 100 percent domestic or foreign-joint companies. The former are referred to as private group companies (signified as [PG] in column 4), and the latter as foreign-joint group companies (signified as [FG] in column 5). The weight of group companies is shown in three kinds of ratio: the ratio of group companies to the total number of companies (column 3), the ratio of private group companies to total private companies (column 6), and the ratio of foreign-joint group companies to total foreign-joint companies (column 7).

Analysis in terms of capital is described in Table 5. Total capital (column 1) contains private capital as one of the ownership categories (column 2), and private capital further contains group capital (signified as <G> in column 3) by definition. Group capital is the total sum of group capital in private group companies plus local equity portions in foreign-joint group companies. The weight of group capital is exhibited by two kinds of ratio: the ratio of group capital to total capital (column 4) and the ratio of group capital to private capital (column 5).

First of all, one may be impressed by the weighting of business groups in the majority of industries (see column 3 in Table 4 and column 4 in Table 5). In the analysis by company, group companies constitute 20 to 30 percent in manufacturing and 10 to 20 percent in non-manufacturing, and 23 percent throughout all industries. Industries with a notably high ratio, above 50 percent, are beverages, glass, transportation equipment, insurance, and leasing. In analysis by capital, on the other hand, the results vary more widely by industry. While there are a dozen industries where the group capital weight is below 10 percent, there are also numerous ones with high weight, particularly in manufacturing; industries with weights above 40 percent, for instance, are beverages, cigarettes, rubber products, ceramics, cement, basic metals, transportation equipment, and leasing. Throughout all industries, the group capital weight is around a quarter, 26 percent, and if one sees the group weight occupied in private capital (column 5 in Table 2.5), it naturally is much higher, 56 percent.

Table 4. Weight and Industrial Distribution of Business Groups by the Number of Companies

Industry	Sub-Industry	(1) Number of Companies (T)	(2) Group companies (G)	(3) (G)/(T)	(4) Private group companies (PG)	(5) Foreign-joint group companies (FG)	(6) (PG)/(P)	(7) (FG)/(F)	(8) Number of business groups
Food	Food	165	55	33%	44	11	33%	39%	30
	Beverage	21	11	52%	10	1	71%	20%	3
	Cigarette	31	8	26%	6	2	27%	25%	5
Textile	Textile/Garment	244	63	26%	38	25	21%	44%	22
	Leather/ Shoes	16	1	6%	1	0	7%	0%	1
Forestry	Wood product	329	83	25%	69	14	30%	14%	36
	Furniture	10	2	20%	1	1	13%	50%	2
Pulp & Paper	Paper product	42	10	24%	6	4	19%	57%	8
Chemical	Basic chemical	98	28	29%	11	17	22%	41%	
	Chemical product	103	23	22%	14	9	17%	50%	37
	Pharmaceutical/ Cosmetic	93	26	28%	17	9	32%	24%	15
	Rubber product	26	7	27%	5	2	24%	40%	6
Non Metal	Ceramic	21	8	38%	8	0	42%	0%	
	Glass	18	10	56%	6	4	55%	67%	15
	Cement	43	13	30%	10	3	36%	23%	7
	Stone crushing	23	7	30%	7	0	30%	0%	
Metal	Basic metal	56	12	21%	4	8	12%	38%	12
Machinery	Metal product	170	46	27%	25	21	23%	36%	36
	Machinery	54	12	22%	6	6	20%	30%	8
	Electrical appliance	96	28	29%	13	15	19%	56%	21
	Transportation equipment	131	60	46%	36	24	40%	73%	20
	Precision equipment	12	3	25%	1	2	17%	40%	3
Other Manufacturing		23	0	0%	0	0	0%	0%	0
Subtotal Manufacturing		1,824	516	28%	338	178	26%	36%	
Agriculture		160	26	16%	25	1	20%	8%	10
Fishery		47	12	26%	10	2	36%	13%	6
Mining	Oil & Gas	53	3	6%	3	0	13%	0%	3
	Other mining	14	3	21%	1	2	20%	33%	3
Construction/Real Estate		707	178	25%	143	35	24%	37%	49
Trade		506	92	18%	91	1	18%	50%	39
Transpor-	Sea	76	20	26%	14	6	24%	55%	9
tation	Air	11	2	18%	1	1	20%	33%	2
	Land	26	4	15%	4	0	17%	0%	3
Financial	Banking	46	9	20%	7	2	20%	22%	6
	Insurance	55	27	49%	22	5	55%	56%	
	Leasing	41	28	68%	8	20	67%	69%	33
Printing & Publishing		63	9	14%	8	1	14%	25%	8
Service		222	62	28%	51	11	27%	39%	35
Multipurpose		643	67	10%	67	0	7%	0%	47
Other Non-Manufacturing		2	0	0%	0	0	0%	0%	0
Subtotal Non-Manufacturing		2,672	514	19%	427	87	18%	34%	
Total		4,496	1,030	23%	765	265	21%	36%	129

Source: Calculated from data in TBN data file.

Notes:
1. (G) = (PG) – (FG)
2. column (8): shares of group companies to the total number of companies. column (6): shares if private group companies in the total number private companies. column (7): shares of foreign-joint companies to the total number of foreign-joint companies.

Table 5. Weight and Industrial Distribution of Business Groups by Capital
(Rp. billion)

Industry	Sub-Industry	(1) Aggregate capital <T>	(2) Aggregate private capital <P>	(3) Group capital <G>	(4) <G>/<T>	(5) <G>/<P>	(6) Number of business groups
Food	Food	47.3	40.6	17.1	36%	42%	30
	Beverage	8.2	6.6	4.2	52%	64%	3
	Cigarette	8.5	7.6	3.4	40%	45%	5
Textile	Textile/Garment	198.6	98.1	32.7	16%	33%	22
	Leather/Shoes	2.5	2.5	0.1	2%	2%	1
Forestry	Wood product	244.3	204.5	80.1	33%	39%	36
	Furniture	3.3	3.1	0.2	6%	7%	2
Pulp & Paper	Paper product	150.4	28.2	14.1	9%	50%	8
Chemical	Basic chemical	267.2	40.4	15.9	6%	39%	
	Chemical product	26.2	23.5	9.8	37%	42%	37
	Pharmaceutical/ Cosmetic	113.3	12.2	7.1	6%	58%	15
	Rubber product	29.4	24.5	21.4	73%	87%	6
Non Metal	Ceramic	11.1	10.6	6.2	56%	59%	
	Glass	20.6	12.3	7.8	38%	63%	15
	Cement	254.7	224.4	199.9	78%	89%	7
	Stone crushing	11.1	11.1	2.6	23%	23%	
Metal	Basic metal	217.1	164.0	141.8	65%	86%	12
Machinery	Metal product	82.2	52.9	30.4	37%	58%	36
	Machinery	283.8	21.1	6.2	2%	30%	8
	Electrical appliance	166.8	44.9	35.3	21%	79%	21
	Transportation equipment	283.1	132.6	118.0	42%	89%	20
	Precision equipment	9.5	2.7	0.3	4%	14%	3
Other Manufacturing		7.4	7.4	0	0%	0%	0
Subtotal Manufacturing		2,446.5	1,175.7	754.5	31%	64%	
Agriculture		332.1	69.8	28.2	8%	40%	10
Fishery		22.9	14.2	3.6	16%	25%	6
Mining	Oil & Gas	34.3	24.1	0.8	2%	3%	3
	Other mining	131.1	2.9	0.1	0%	0%	3
Construction/Real Estate		207.7	139.4	78.3	38%	56%	49
Trade		73.7	60.3	17.9	24%	30%	39
Transpor-	Sea	53.8	17.6	4.1	8%	23%	9
tation	Air	74.7	0.5	0	3%	5%	2
	Land	5.9	3.9	0.6	11%	16%	3
Financial	Banking	33.3	15.2	2.8	8%	18%	6
	Insurance	33.1	21.8	13.1	40%	60%	
	Leasing	78.3	30.2	21.8	28%	72%	33
Printing & Publishing		8.1	6.9	0.8	10%	12%	8
Service		111.6	62.5	38.6	35%	62%	35
Multipurpose		98.1	98.1	12.5	13%	13%	47
Other Non-Manufacturing		0.6	0	0	0%	0%	0
Subtotal Non-Manufacturing		1,290.9	567.2	223.1	17%	39%	
Total		3,737.7	1,743.1	977.6	26%	56%	129

Source: Calculated from data in TBN data file

These results imply that, during these two decades, as many as 129 business groups have been formed with 23 percent of total companies newly established in these years, and that these groups have grown to own 26 percent of total equity capital invested, 56 percent of total domestic private equity capital, or 40 percent of equity capital invested in the private sector during this period (provided that the private sector is composed of private capital plus foreign capital). Besides, the weight of business groups has become conspicuous in some industries.

Should the above results be regarded as a high or low level? Although it would be better to compare them with other data, there are very limited comparable data from other countries, namely data of business groups' weight in terms of equity capital. For the present, we can compare them only with two sets of data from Korea and prewar Japan, both of which are said to be typical examples of dominant business groups.

In Indonesia, as of 1985, all the identifiable business groups, that is, 129 groups, controlled 26 percent of the equity capital of all large companies established since the end of the 1960s. In the Korean case, the 30 largest business groups, what are called Chaebol, controlled 22.0 percent of the equity capital of all corporate bodies in this country as of 1982.[16] In the case of prewar Japan, the four largest business groups, so-called Zaibatsu, controlled 24.5 percent of paid-up capital of all companies, and the largest ten groups controlled 35.2 percent at the point of their forced liquidation after the war.[17]

From this comparison, we can say at least that, although Indonesian business groups have grown to own conspicuous shares in some industries, the total level of capital accumulation is still low if compared with that of Chaebol and Zaibatsu, which are examples of a high level of economic dominance in the history of developing economies.

Next, let us focus on the relations of business groups with foreign capital. Comparing the ratios between the shares of private group companies to total private companies (column 6 in Table 4) and foreign-joint group companies to total foreign-joint companies (column 7 in the same table), there are three possibilities as follows:

(1) The share of private group companies is lower than the share of foreign-joint group companies (column 6 < column 7): This means that business groups are inclined to join hands with foreign partners rather than to form domestic companies.
(2) The share of private group companies is higher than the share of foreign-joint group companies (column 6 > column 7): This case means that business groups prefer to form domestic companies rather than join with foreign capital.
(3) The two shares are rather balanced (column 6 = column 7): There are two further possibilities that the same business groups own both foreign-joint companies and domestic companies, and that business groups owning

[16] Korean Institute of Development, *Mergers and Acquisitions, and Economic Concentration of Business Groups* (in Korean), 1985.

[17] Committee of Liquidation of Holding Companies, 1945. See Yuri Sato, "Zaibatsu dan Kelompok Pengusaha di Indonesia," *Business News*, August 3–10, 1987.

domestic companies and those allied with foreign capital are different groups.

The case (1) is most prevalent. It can be observed in a considerable number of industries, such as textiles, paper products, basic chemicals, chemical products, basic metal, metal products, electrical appliances, and transportation equipment. In these industries where foreign technology was crucial, business groups have grown by taking advantage of foreign-joint investment. Such a relationship between business groups and foreign capital can be called an alliance. In this case the weight of business groups is prominently high, especially in terms of capital rather than company, which indicates that the scale of vested local capital by business groups allied with foreign capital is much larger than that of non-group capital.

The case (2) implies conversely that business groups chose independence from foreign capital. This is the case with beverages and wood products, but not many other industries. It may be said that these two industries made it possible for business groups to pursue independent development, first because up to the present production technology has not been very sophisticated, and second because of the respective peculiarity of the industries; the Indonesian beverage industry is much affected by the public taste and the wood product industry requires Indonesian forest concessionaires and conformity to the government higher-value-added policy.

In case (3), it is necessary to identify business groups in the concerned industries, in order to answer whether business groups setting up domestic companies and those allied with foreign capital are the same or not. If the same business groups join with foreign capital and concurrently form domestic companies, this can be termed an extended alliance of business groups with foreign capital. This type of industry includes some food products, insurance, and leasing. For example, a business group which has a leasing industry within its sphere, in most cases, forms a joint company with a foreign leasing company which plays the central role and complements it with one or more domestic leasing companies of the group's own. Naturally, the extended alliance results in a high weight of group capital in all private capital.

Although it is seemingly the same, the real state of affairs is quite different if some business groups prefer to form domestic companies and other business groups are allied with foreign capital. Such a case holds true in the cigarette and pharmaceutical industries. In the cigarette industry, as is generally known in Indonesia, private group companies differ from foreign-joint group companies in product segment, that is, clove cigarettes are dominated by the big four, viz. the Gudang Garam, Djarum, Bentoel, and Sampoerna groups, and white cigarettes are controlled by foreign cigarette companies allied with other business groups. The former's performance is far superior to the latter, particularly in recent years. In the pharmaceutical industry, where the presence of foreign manufacturers is quite dominant, the Kalbe Farma group, which owns several domestic private pharmaceutical companies either with license production or with their own brand production, holds the top rank of sales over the heads of a dozen pharmaceutical multinationals which tend to be allied with non-pharmaceutical-based business groups. To distinguish this type of relation from the above extended alliance, we may call it a competitive relation between business groups and foreign capital.

To sum up the above discussions, there are four possible relationships between business groups and foreign capital: alliance, independence, extended alliance, and competitive relations. Of these, the prototype indicating the typical development pattern of business groups is an alliance between business groups and foreign capital, observed in some key industries. The alliance and extended alliance patterns coincide with industries with a high weight of business groups' capital in all private capital. However, it is noteworthy that business groups have not always searched for an alliance with foreign capital, but in some industries they have proceeded to be independent of, competitive with, and even superior to the sphere of foreign capital, though such cases are still limited.

The analysis of 129 business groups above described some attributes of business groups in the accumulative sense during these two decades. It is now time to evaluate the economic power of business groups in a flow base at the present point in time. As has already been emphasized, however, a wide range of financial statements are not available, with the consequence that we are forced to approach the subject by inference based on a rough estimation.

Group sales are adopted as a yardstick for measuring the business groups' economic power.[18] First of all, we leave out business groups which are not growing (both those declining and those leveling off) in terms of group sales as of 1986. Even though some groups are supposed to have rich assets or to have political/military power, they are omitted if they are not growing.[19] The remainder consist of about half of the 129 business groups. Then the group sales of each group are estimated[20] and those with estimated group sales above Rp. 100 billion are selected as the largest groups. According to this procedure, 47 business groups were found to be the largest groups, which were roughly classified into four zones of estimated group sales, namely above Rp. 100 billion to Rp. 200 billion, above Rp. 200 billion to Rp. 500 billion, above Rp. 500 billion to Rp. 1 trillion, and above Rp. 1 trillion. The 47 business groups, group leaders, and their main business are listed in Table 6.

Then, how large are the aggregate sales produced by these largest business groups? Table 7 shows the estimated total sales of business groups of each zone; except the top zone, the total sales are calculated by multiplying the median sales of each zone by the number of groups. As of 1986, the 19 largest groups with group sales above Rp. 500 billion had sales of Rp. 19.8 trillion in total, and the 47 largest

---

[18] Profits are more difficult to estimate and are a rather qualitative measure of group finance, while sales are a direct indicator of the quantitative scale of production activities. For banks, total credit is used as a substitute for sales.

[19] Business groups omitted in this state are, among others, the Jan Darmade group, the Nugra Santana group (Ibnu Sutowo), the Sempurna group (Mohamed Joesoef) which are supposed to be rich in assets, the Gunung Sewu group (Dasuki Angkosubroto), the Mercu Buana group (Probosutedjo), the Sahid group (Sukamdani Gitosardjono), the Poleko group (Arnold Baramuli) whose growth is not clear, and the military-owned Tri Usaha Bhakti group and Propelat group which are supposed to have declined.

[20] Group sales are estimated as follows: first, major industries controlled by business groups are identified. Second, the market size of each industry (3 digit in manufacturing) is sought based on gross output data by the BPS. Third, market shares of business groups in each industry are estimated by various industry surveys and articles. Finally, total sales of each business group are calculated as the aggregate of sales from each industry by multiplying market size by market share. This is, of course, an approximate estimation, so that the selected groups are classified into four zones and the ranking within each zone is not exact.

Table 6. The Largest Business Groups in Indonesia as of 1986

Business Groups	Number of companies	Group leaders	Main business under control
<< Estimated group sales above Rp. 1 trillion >>			
1 Liem Sioe Liong	225	Soedono Salim	flour milling, cement, automobile, steel product, food, paper product, tyre cord, financial, real estate
2 Astra	197	William Soeryadjaya	automobile, heavy equipment, office machine, agribusiness, financial
3 Sinar Mas	37	Eka Tjipta Widjaya	vegetable oil, plantation, paper product, chemicals, financial, real estate
4 Bimantara	63	Bambang Trihatmodjo	communication equipment, broadcasting, shipping, plantation, real estate, hotel
5 Gudang Garam	13	Rachman Halim	clove cigarette
6 Djarum	8	Robert Budi Hartono	clove cigarette, electrical appliance
<< Estimated group sales above Rp. 500 billion >>			
7 Bakrie	20	Aburizal Bakrie	steel, farm product export, electronics
8 Rodamas	35	Tan Siong Kie	GI sheet, sheet glass, seasoning (MSG), detergent, real estate, financial
9 Dharmala	49	Soehargo Gondokusumo	feed, farm product export, real estate, heavy equipment distribution, financial
10 Damatex	30	Suhendoro Motowidjojo	textile, steel, chemicals, leasing
11 Bank Bali	22	Djaja Ramli Sukanta Tanudjaja	textile, tyre, seasoning, financial, restaurant
12 Arya Upaya	28	Kaharudin Ongko	ceramics, financial, real estate, cosmetics
13 Gajah Tunggal	31	Sjamsul Nursalim	tyre & rubber product, paint, cable, real estate, financial
14 Jaya	113	Ciputra	construction, real estate, hotel & tourism, building materials
15 Bob Hasan	45	Mohamad Hasan	plywood, shipping, oil & gas related services, plantation, tin plate
16 Berdikari	19	Bustanil Arifin	flour milling, plantation, shipping, warehouse, financial
17 Panin	28	Mu'min Ali Gunawan	financial, resin, textile
18 Mantrust	25	Teguh Sutantyo	food & beverage, milch cow breeding
19 Bentoel	4	Budhiwidjaja Kusumanegara	clove cigarette
<< Estimated group sales above Rp. 200 billion >>			
20 ABC	17	Husain Djojonegoro	dry battery, seasoning & beverage, supermarket
21 Maspion	7	Alim Husein	aluminum & stainless steel product
22 Imora	21	Hadi Budiman	passenger car, textile
23 Gesuri	44	Adil Nurimba	shipping, insurance & leasing, consultant
24 Lippo	35	Mochtar Riady	financial, electrical & electronics, textile, automobile components
25 Humpuss	4	Hutomo Mandala Putera	communication & oil related equipment distribution
26 Ometraco	16	Ferry Teguh Santosa	feed, communication equipment distribution, real estate
27 Wanandi	49	Sofyan Wanandi	automobile component, chemicals, financial
28 Soedarpo	32	Soedarpo Sastrosatomo	shipping, financial, electronics, import & distribution
29 Krama Yudha	9	Sjarnoebi Said	automobile
30 Kalbe Farma	10	Franciscus Bing Aryanto Bunyamin Setiawan	pharmaceutical, food
31 Satya Djaya Raya	21	Andi Tabusalla Susanta Lyman	plywood, building material, automobile parts, financial
32 Barito Pacific	10	Prajogo Pangestu	plywood
33 Sampoerna	5	Putera Sampoerna	clove cigarette

Table 6 (continued)

Business Groups	Number of companies	Group leaders	Main business under control
<< Estimated group sales above Rp. 100 billion >>			
34 Lautan Luas	9	Adyansyah Masrin	chemical material, import& distribution
35 Mugi	16	Eugene Trismitro	pharmaceutical, office & electronic equipment distribution
36 Modern	13	Samadikun Hartono	photofilm, camera, real estate
37 Tempo	35	Mulyadi Kartini	pharmaceutical & cosmetics, import & distribution
38 Gobel	11	Rachmat Mohamad Gobel	electrical appliance
39 Teknik Umum	27	Eddy Kowara Adiwinata	contractor, beverage, automobile parts
40 Kedaung	22	Agus Nursalim	glassware, chemical & plastics
41 Berca	22	Murdaya Widyawimarta	real estate, electrical equipment distribution
42 Sucaco	11	Motet Erwin Surya Raharjo	cable, copper & aluminum processing
43 Alas Kusuma	6	Suhadi	plywood
44 Hutrindo	12	Akie Setiawan Alex Korompis	plywood, ceramics, electrical appliance
45 Bumi Raya Utama	8	Adijanto	plywood
46 Tanjung Raya	6	Achmad Bakrie	plywood
47 Kayu Lapis	2	Gunawan Sutanto	plywood

Note: According to the author's estimation, there were 47 groups with estimated group sales in 1986 above Rp. 100 billion. These groups can be classified into 4 zones of estimated sales, but the group ranking within each zone is not exact.

groups with group sales above Rp. 100 billion had Rp. 26.8 trillion in total. Compared with two other sources of information just recently announced, business groups with group sales above Rp. 500 billion increased to 25 or 27 groups in 1988, with total sales of Rp. 31.6 trillion or Rp. 34.8 trillion. Further, data source <1> says that as of 1988 there were 300 business groups identifiable in Indonesia with total sales of around Rp. 70 trillion, though the definition of business groups is not clear; data source <2> gives 200 groups with total sales of Rp. 61.6 trillion (according to the author's calculation).

Table 7. Estimated Total Sales of Indonesian Business Groups

group sales	Author's Est. (1986) (group)	(Rp. tri)			Source <1> (1988) (group)	(Rp. tri)	Source <2> (1988?) (group)	(Rp. tri)	
1,000 -	6	10.0	} 19	19.8 }	25	31.6	10	22.0	} 27 34.8
500 - 1,000	13	9.8					17	12.8	
200 - 500	14	4.9					20	8.0*	
100 - 200	14	2.1					33	7.4**	
0 - 100							120	11.4***	
total	47	26.8			300	70.0	200	61.1	

Source: <1> Pusat Data Bisnis Indonesia, e.g., Bisnis Indonesia, November 30, 1989.
<2> Indonesian Commercial Newsletter No. 38, October 23, 1989. PT Data Consult Inc.

Notes: * group sales above Rp. 300 to Rp. 500 billion.
** group sales above Rp. 150 to Rp. 300 billion.
*** group sales above Rp. 40 to Rp. 150 billion.

What are the implications of these results? In order to evaluate the scale of business groups' economic activities in the national economy, the above total sales should be compared with the gross output of the national economy.[21] Results of the comparison are as follows: As of 1986 in my estimation, the top 19 groups with group sales above Rp. 500 billion controlled 11.2 percent of the national economy, and in 1988 the top 25 groups by the same standard controlled 13.2 percent (data source <1>) or the top 27 groups controlled 14.5 percent (data source <2>) of the national economy. Expanding the range of groups, the top 47 groups controlled 15.2 percent in 1986, and in 1988 the top 200 groups controlled 25.7 percent (data source <2>) and all identifiable groups by data source <1>, that is, 300 groups controlled 29.2 percent of the national economy.

For the sake of comparison, I take the Korean case again, because it provides the only available comparable data for the present: total sales of the top 30 Chaebol formed 39.8 percent of total sales of all corporate bodies in this country in 1982.

It must be admitted that the calculations of group sales, as well as the shares of the national economy, are very approximate estimates and also that the international comparison is far from adequate. However, I can draw the minimal conclusion as follows: the scale of economic activities of business groups in comparison to the national economy, that is, approximate economic concentration of Indonesian business groups, is on the 10 percent level by the top groups (group sales above Rp. 500 billion) and around 20 percent by the secondary top groups (group sales above Rp. 100 billion), still less than one of the upper levels in the international perspective.

It is beyond the purpose of this section to illustrate who are the largest business groups. The next section will trace the development process of Indonesian business groups, based mainly on the experiences of these 47 largest business groups. Table 8 provides only a brief profile of the business leaders of the 47 groups. The list, of course, does not include the business leaders of groups developing in the course of the recent economic upturn and deregulation.

Although information is lacking on several group leaders, the following two points become clear from this table: first, for as many as 42 out of the 47 business groups, their history is still in the first generation. The first generation groups whose leaders were born in the 1910s or 1920s are now getting ready for an imminent generational change. In most cases, the second generation is a son or a daughter. However, in those first generation business groups whose leaders were born in the 1930s and after, various cases can be observed. For instance, the Jaya group, the Bank Bali group, and the Sucaco group can be regarded not as family-owned groups, but as ones owned by a team of co-founders, sometimes with sub-groups owned by each of the co-founders. This tendency indicates that the bonds of groups will expand, and not necessarily remain family-oriented.

---

[21] The most preferable method is to compare with the aggregate sales of all corporate bodies in Indonesia, but the data do not exist. The second best is the gross output before subtracting input costs to calculate value added. The value in 1985 is available from the I-O table, that is, Rp. 166,423 billion when GDP was Rp. 96,850 billion. So, the gross output in 1986 and 1988 is worked out by multiplying the link index: Rp. 176,209 billion in 1986 and Rp. 239,622 billion in 1988.

Table 8. Group Leaders of the 47 Largest Business Groups

Business group	# of companies	Generation	Group leader	Chinese name	Year of birth	Place of birth
1 Liem Sioe Liong	225	1	Soedono Salim	Liem Sioe Liong	1916	Fuqing, China
2 Astra	197	1	William Soeryadjaya	Tjia Kian Liong	1922	West Java
3 Sinar Mas	37	1	Eka Tjipta Widjaya	Oey Ek Tjhong	1923	Fukien, China
4 Bimantara	63	1	Bambang Trihatmodjo	none	1953	Central Java
5 Gudang Garam	13	2	Rachman Halim	Tjoa To Hung	1947	East Java
			Surya Wonowidjojo	Tjoa Ing Hwie	1923	Fukien, China
6 Djarum	8	1	Robert Budi Hartono	Oei Hwie Tjhong	1941	Semarang
7 Bakrie	20	2	Aburizal Bakrie	none	1946	Jakarta
			(Achmad Bakrie)	none	1916	Lampung
8 Rodamas	35	1	Hanafi	Tan Siong Kie	1916	Semarang
9 Dharmala	49	1	Soehargo Gondokusumo	Go Ka Him	1925	Fukien, China
10 Damatex	30	1		The Nien King	1931	Bandung
			Suhendoro Motowidjojo	Sik Sian Han	1931	Semarang
11 Bank Bali	22	1	Djaja Ramli	Lie Ting Tjiang	1926	Purwakarta
			Sukanta Tanudjaja	Tan Tay Kang	1925	Fukien, China
12 Arya Upaya	28	1	Kaharudin Ongko	Ong Ka Huat	1937	North Sumatra
13 Gajah Tunggal	31	1	Sjamsul Nursalim	Lim Tek Siong	1942	Lampung
14 Jaya	113	1	Ciputra	Tjie Tjien Hoan	1931	Central Sulawesi
15 Bob Hasan	45	1	Mohamad Hasan	The Kian Seng	1931	Semarang
16 Berdikari	19	1	Bustanil Arifin	none	1925	West Sumatra
17 Panin	28	1	Mu'min Ali Gunawan	Lie Moek Ming	1929	East Java
18 Mantrust	25	1	Teguh Sutantyo	Tan Kiong Liep	1918	Yogyakarta
19 Bentoel	4	1	Budhiwidjaja Kusumanegara	Fu Kim Mu	1924	Bojonegoro
20 ABC	17	2	Husain Djojonegoro	Chu Kokseng	1949	Semarang
			(Chandra Djojonegoro)	?	?	?
21 Maspion	7	1	Alim Husein	Lim Kiem Moey	1927	Fuqing, China
22 Imora	21	1	Hadi Budiman	Ang Kok Ha	1936	Jakarta
23 Gesuri	44	1	Adil Nurimba	Liem Eng Hoai	1922	Riau
24 Lippo	35	1	Mochtar Riady	Lee Mo Tie	1929	East Java
25 Humpuss	4	1	Hutomo Mandala Putera	none	1962	Central Java
26 Ometraco	16	1	Ferry Teguh Santosa	Kan Son Tjiong	1932	East Java
27 Wanandi	49	1	Sofyan Wanandi	Liem Bian Khoen	1941	West Sumatra
28 Soedarpo	32	1	Soedarpo Sastrosatomo	none	1920	North Sumatra
29 Krama Yudha	9	1	Sjarnoebi Said	none	1927	South Sumatra
30 Kalbe Farma	10	1	Franciscus Bing Aryanto	Khouw Lip Bi	1933	Central Java
31 Satya Djaya Raya	21	1	Andi Tabusalla	none	1928	South Sulawesi
			Susanta Lyman	Lie An Djian	1916	Fukien, China
32 Barito Pacific	10	1	Prajogo Pangestu	Phang Dju Phin	1941	Bengkajang
33 Sampoerna	5	3	Putera Sampoerna	Liem Tien Pao	1947	Netherlands
				(Liem Seeng Tee)	?	?
34 Lautan Luas	9	1	Adyansyah Masrin	Ng Kee Chun	?	?
35 Mugi	16	1	Eugene Trismitro	Tjoe Mo Tjiang	1913	North Sumatra
36 Modern	13	1	Samadikun Hartono	Ho Sioe Koen	1948	Ujungpandang
37 Tempo	35	1	Kartini Mulyadi	?	1930	Surabaya
38 Gobel	11	2	Rachmat Mohamad Gobel	none	1962	Jakarta
			(Thayeb Mohammad Gobel)	none	1930	North Sulawesi
39 Teknik Umum	27	1	Eddy Kowara Adiwinata	none	1919	West Java
40 Kedaung	22	1	Agus Nursalim	Liem Djoe Kwang	1931	North Sumatra
41 Berca	22	1	Murdaya Widyawimarta	Po Djie Gwan	1941	East Java
42 Sucaco	11	1	Motet	Tan Yong Liong	1939	South Sulawesi
			Erwin Surya Raharjo	Lim Sin Kwang	1934	Fukien, China
43 Alas Kusuma	6	1	Suhadi	Tan Hok Lim	1926	Canton, China
44 Hutrindo	12	1	Akie Setiawan	Kho Kie Piang	1940	West Kalimantan
			Alex Korompis	Kho Teng Kwee	1924	Pontianak
45 Bumi Raya Utama	8	1	Adijanto	Tan Lim Hian	1925	Pontianak
46 Tanjung Raya	6	1	Achmad Bakrie	?	?	?
47 Kayu Lapis	2	2	Andi Sutanto	Tan Siong Gun	?	?

Notes: 1. Ranking of business groups is based on estimated group sales as of 1986. 2. The 1st generation means a founder of a core company of each group. 3. Names in parentheses are the 1st generation of each group.

Source: TBN data file, Datatrust 1986. Data Consult 1987, and other various sources.

Second, business leaders of 39 out of the 47 groups are Indonesian Chinese; "none" in the column "Chinese name" means that the leader is a native Indonesian. Of the Indonesian Chinese, however, the native Chinese born in mainland China, the so-called 'Totok,' are leaders of only three out of 39 groups, as far as I can identify them. So it may safely be said that, as of 1986, the main stream of business leaders of the largest business groups was "Perankan" Chinese. What is interesting is that all the business groups owned by the native Indonesians can trace their foundation back to the 1950s, except a few cases still led by members of the first family. This fact suggests that only very recently was the orientation of the native Indonesians directed toward the private business sector,[22] in contrast with the background of Indonesian Chinese who have been engaged in business sector.

D. Concluding Remarks on Indonesian Capital Ownership Structure

Observations on ownership structure by industry and by dominant private capital have told us that there are apparently several patterns of composition of state, foreign, and private capital, depending on the characteristics of the respective industry. To conclude my discussion of capital ownership, let me extract five typical patterns of industrial ownership structure in the Indonesian economy, as follows:

<1> state-dominated pattern:

This pattern is often observed in those industries which require too large capital for the private sector to assume, like capital goods manufacturing and plantations, and/or industries related to public utilities, public properties, and national defense like transportation, mining, and military-related manufacturing industries. In some developing countries such as Singapore and the Philippines, those industries, especially the former, are taken charge of by foreign capital, but in Indonesia, the state was disposed and could actually afford to undertake large investment in such strategic industries at least during the studied period, based on inheritance taken over from the Dutch and supported by the abundant oil revenue in the 1970s.

<2> foreign-dominated pattern:

It should be noted that the foreign-dominated pattern is far less pervasive in the Indonesian economy in terms of capital ownership, compared with the state-dominated pattern. Foreign-dominated here means not only a high share of foreign company/capital but also scarcity of independent and/or competitive dominant private capital. Electrical appliances and leasing belong to this pattern. As is often pointed out, the foreign-dominated pattern is attributed to the proprietary technology and know-how of foreign companies, rather than the necessity of capital. Besides this point, what has not so far been pointed out as a characteristic of the foreign-dominated pattern is that the dominant foreign capital tends to be allied with dominant private capital, in other words, this pattern is accompanied by an alliance (including extended alliance) between foreign capital and business groups. The only exception is the pharma-

[22] This point was suggested by Professor Mohammad Sadli in his paper and in our discussions.

ceutical industry where, though foreign capital is indisputably dominant, there exists domestic private capital not allied with foreign capital which has developed to become quite competitive.

<3> business groups-dominated pattern:

This is a pattern dominated by private capital, particularly by business groups, with the share of group capital to total capital above 40 percent for instance, which can be observed in several industries. There are various types in this pattern. The independent type consists of business groups that have developed with little help from either foreign capital or state capital, such as beverages, wood products, ceramics, and the cement industry. There are also alliances in some industries, where business groups have laid the foundation of their dominant position by making the best use of joint investment with foreign capital, for instance, in chemical products, metal products, and insurance industries. The competitive type can be seen where domestic companies under business groups have developed to become competitive with foreign companies, such as the cigarette industry.

<4> nebular/corpuscular private capital pattern:

This is the most traditional pattern particularly in daily consumption goods industries where neither peculiar technology/know-how nor large-scale investment is indispensable and the degree of dominance of business groups is quite low. In most cases, the structure of such industries is presumed to be like a gathering of corpuscular capital, so that the scale of capital is still quite small per company as well as in the aggregate in comparison with the other patterns, even though the TBN data file covers only the top level of capital distribution of each industry. This pattern can be observed in, for example, food, leather, furniture, stone crushing, fishery, land transportation, trading, printing, and publishing.

<5> pattern of the balanced three:

This pattern is that private, state, and foreign capital keep a balanced share of the concerned industry, as is seen in some industries in manufacturing such as textiles, transportation equipment, glass products, and precision instruments. In this pattern, alongside the state capital directly invested in the very early stage of industrial promotion, a firm alliance between foreign capital and dominant private capital is likely to be observed. In textiles and glass, as well as transportation equipment, foreign capital was invested in the early 1970s and after the decline of foreign capital inflow, private capital has expanded their domain around the core of foreign-joint ventures.

3. The Development Process of Indonesian Business Groups

Economic development in Indonesia since 1967 has entirely changed environmental conditions for the growth of private capital and has produced new industrial capitalists, among whom some have developed to form business groups.

In the early 1970s, a handful of business groups had already emerged, but before long they became a target of criticism by journalism as government/military-patronized "*cukongs*"[23] or foreign-dependent "comprador capital." In the 1980s, however, many companies began to take pride in belonging to a "Group" of companies. This is the evidence that, alongside the change of environmental conditions, business groups themselves outgrew their former existence. Then the question is, how business groups have changed their nature, or more precisely, by what environmental factors and with what strategies business groups have been formed and developed.

Another more basic question concerns the nature of the realities of the so-called "Group" in Indonesia. The "Group" is sometimes merely a self-professed one, with only two or three companies, and sometimes a huge conglomerate with more than 100 companies under its control, but generally speaking, the true facts of business groups are in many cases still unknown.

The purpose of this section, therefore, is to trace the development process of business groups along with the industrialization of the national economy since 1967 and to illustrate the changing nature of business groups with special attention to their growth strategies in each stage of the development process.

The studied years from 1967 up to the present are divided into four periods based on the state of macro economy, as follows:

1st period = initial industrialization:	1967–1973
2nd period = oil boom:	1974–1981
3rd period = post-oil recession:	1982–1986
4th period = export-led revitalization:	1987–

Corresponding to the changing macro-economic conditions, government industrial policies have also changed broadly. And business groups' growth strategies have also changed under the given conditions of the macro economy and policies.

In the following sections, macro-economic conditions and government policies which directly influence the formation and development of business groups are first reviewed. Then, characteristic growth strategies of business groups and their salient features as a result of the strategies are analyzed with some illustrations.

A. The Period of Initial Industrialization: 1967–1973

(1) Macro-Economic Conditions and Policies

The year 1967, when the Foreign Investment Law (Keppres No. 1/1967) was enacted, marked a new era for the Indonesian economy, in the sense that the government virtually started efforts to construct the national economy which at the end of the era of Guided Economy had almost come to an impasse, with stagnant production and hyper-inflation.

In the period from 1967 up to 1973, the annual real GDP growth rate reached 8.4 percent, mainly because it was the initial acceleration stage of industrial development. Notably rapid expanding sectors and the annual growth rates were, among

[23] "*Cukong*" is originally a Chinese word which literally means "a master," and in Indonesia it is popularly used to refer to rich Indonesian-Chinese people in general. In this thesis, "*cukong*" is used in a narrower sense as merchants or businessmen who became established by political patronage of political/military power elites.

Table 9. Characteristic Government Policies & Corporate Strategies under Macro-Economic Conditions in Each of 4 Periods

Period	Macro-Economic Conditions	Government Policy	Corporate Strategy of Business Groups
(1) 1967-73	Initial Industrialization	Economic Liberalism - Open-door policy in foreign capital introduction and foreign exhange system - Import substitution in intermediate and capital goods sectors	Diversification - Joint investment-levered diversification - Cukong-type diversification - Backward-looking diversification
(2) 1974-81	Oil Boom	Economic Nationalism - Restrictions on foreign direct investment - State-led import substitution in intermediate and capital goods sectors - Pribumi priority policy	Vertical Integration - Forward Integration - Backward Integration
(3) 1982-86	Post-Oil Recession	Strucural Adjustment - Allopathy against downfall of oil revenue, including rupiah devaluation - The first financial reform - Tax reform - A series of deregulation	Natural Selection of Business Groups - Multinationalization - Concentration on a single product market
(4) 1987-	Export-Led Revitalization	Deregulation & Liberalization - Export- and investment-promoting policy - The second financial reform	Strategic Re-Diversification

others: banking 26.9 percent; construction 23.5 percent; mining 17.5 percent; forestry 17.2 percent; and manufacturing 12.5 percent.

One of the most decisive factors in realizing such growth was a complete turn-around of economic policies conducted by the New Order government. The most important policies in the context of private capital development were, first, the open-door policy in foreign capital introduction as well as in the foreign exchange system, and second, the import-substitution policy with a variety of protective measures for domestic infant industries.

Table 10. Foreign Capital Inflow and its Contribution: Comparison between 3 Periods

	Unit	1967–73	1974–81	1982–86
(1) Total Financial Inflow (TFI)	mil $	3,794.1*	15,453.8	12,788.3
(2) Domestic Capital Formation (DCF)	mil $	9,727.5	91,344.5	113,909.9
(3) Foreign Direct Investment (DI)	mil $	857.0 743.0*	1,827.0	1,307.0
(4) TFI/GDP	%	8.3*	3.8	3.0
(5) DI/TFI	%	19.6*	11.8	10.2
(6) DI/DCF	%	8.8	2.0	1.1

Note: * Value/percentage in 1970-73.

Source: International Financial Statistics, IMF and Key Indicators of Developing Member Countries of ADB, Asian Development Bank, related years.

The open-door policy was a distinct indication that the New Order government was no longer pursuing an exclusively state-led development strategy, and had decided to adopt an alternative strategy, that is, economic liberalism, to activate the private sector with full use of foreign capital and technology. As a result of this, foreign capital inflow, especially in the form of direct investment, played a far greater role in this period compared with the preceding era, and also compared with the following periods, as Table 10 shows. The main implications of Table 10 are the following three points. First, the relative importance of total financial inflow (TFI) in comparison with the size of the national economy (GDP) is notably higher in the 1967-73 period than in other periods (line 4), though the amount of total financial inflow is the smallest. Second, direct investment was preferred, accounting for one fifth of total financial inflow in this period (line 5). Third, the contribution of direct investment toward domestic capital formation (DCF) was 8.8 percent, a higher rate than those of other periods (line 6), and also above the standard of other Asian developing countries. The preference for direct investment was quite reasonable in the very early stage of industrialization, because direct investment as an importation of capital packaged with technology and management know-how was one of the most effective initiators in unexperienced fields of industry.[24]

Meanwhile, the import-substitution policy, the second basic policy of the New Order government, was taken as a typical industrial promotion policy in the initial industrialization stage, just as the Asian Nics and neighboring ASEAN countries had done one to two decades earlier. The policy contained a variety of measures for promoting and protecting domestic manufacturing industries, whose products had previously been imported, from tariff/non-tariff import restrictions to control of the market structure of infant industries. Such measures are justified to some extent from the standpoint of development economics,[25] because import-substitution producers in the initial production stage cannot survive without being protected from competition with foreign products, ensuring their scale of production, and also guaranteeing the market for their high-priced products. As was usual with protective measures, however, the policy had intentional and unintentional side effects, including the structural distortion of prices at the level of industry/product market, and the rise of a privileged few who were lucky enough to be granted exclusive economic rights at the level of individual economic sectors.

(2) The Age of Diversification for Business Groups

Under the stimulus of these new environmental conditions, dozens of companies grew rapidly in such sectors as foreign trade, manufacturing, distribution, and construction, and some emerged and developed as business groups in this relatively short period.

Out of the forty-seven large groups described earlier, as many as twenty-seven laid the foundation of their business-group form in this period (see Table 11). A common feature of these business groups is that they highly diversified their busi-

---

[24] For analysis with special focus on foreign direct investment, see Hill, *Foreign Investment* and Balasubramanyam, "Factor Proportions."

[25] Theoretical grounds of protection for infant industry depend upon M. C. Kemp, "The Mill-Bastable Infant-Industry Dogma," *Journal of Political Economy* (1960), and M. Kiyono Ito, M. K. Okuno, and K. Suzumua, *Economic Analysis on Industrial Policies* [in Japanese] (Tokyo: Tokyo University Press, 1988).

ness even in unrelated industries---what is called conglomerate diversification. Then, why was it possible for these business groups to achieve a high degree of diversification? What current factors drove them to such conglomerate diversification?

Observation of the twenty-seven groups which developed in this period sheds light upon two types of diversification (toward which the main factor pushing them was apparently different). The first is diversification levered by foreign-joint investment, related to inflow of foreign capital and technology in line with the government open-door policy. The other is *cukong*-type diversification, related to government protection under the import-substitution policy.

The open-door policy provided good opportunities for potential businessmen to gain access to distributorship of foreign brand products, technical assistance, licence production and setting-up of joint ventures with foreign companies and so on. In fact, the most typical case at that time was that former importers of foreign brand goods were given the sole agency for distribution and then entered into assembling/processing of the goods. A more fortunate case was that former traders/importers/simple assemblers of certain goods set up joint companies with foreign manufacturers related to the goods. More aggressive entrepreneurs preferred to enter into two or three unfamiliar and mutually unrelated industries simultaneously, setting up foreign-joint companies in respective industries. In this way, foreign direct investment gave an epoch-making momentum for potential businessmen with no experience, capital, and technology to jump into the manufacturing sector, enter into new fields of industry, and further diversify their lines of business even into unrelated industries.

The asterisks in Table 11 imply that foreign-joint investment became a significant moment for the formation of the business group. Out of the selected twenty-seven groups built up in this period, no less that twelve groups are included in this type.

Prominent characteristics common to this type of business group are the following:[26]

(1) Before the inception of the New Order, their main business was limited to foreign trade and/or domestic distribution.
(2) Incorporation of joint companies with foreign companies from the late 1960s up to the beginning of the 1970s marked a substantial starting-point for them to engage in the manufacturing sector.
(3) In the manufacturing sector, the industries they entered were, in most cases, concentrated in import-substitution industries promoted and protected by the government.
(4) Levered by foreign-joint investment, they could launch into plural technically-unrelated industries simultaneously, which led to so-called conglomerate diversification in extreme cases.

Let me illustrate some business groups of this type. The Astra group, the second largest group in terms of number of affiliated companies as well as estimated group

---

[26] A. Suehiro, *Capital Accumulation in Thailand, 1855–1985* (Tokyo: The Center of East Asian Cultural Studies, 1989), pp. 225–32, points out major characteristics of Thai industrial groups which developed in the process of industrialization from the 1960s to the 1980s, which are to a great extent common with this type of Indonesian business groups.

Table 11. Major Business Groups Developed in the Period of Initial Industrialization, 1967-1973

Business groups	# of companies	Main business under control as of 1986	Year of foundation	Undertaking company as the first step for formation of business groups
1 Liem Sioe Liong	225	flour milling, cement, automobile, steel product, food, paper product, tyre cord, financial, real estate	195?	1969 Bogasari Flour Mill (flour)
2 Astra	197	automobile, heavy equipment, office machine, agribusiness, financial	1957	1971* Toyota Astra Motor (sole agent)
3 Sinar Mas	37	vegetable oil, plantation, paper product, chemicals, financial, real estate	196?	1969 Bimoli (vegetable oil)
4 Bakrie	20	steel, farm product export, electronics	1942	1959 Karang Tirta (steel pipe)
5 Rodamas	35	GI sheet, sheet glass, seasonings (MSG), detergent, real estate, financial	?	1967* Sasa Fermentation (seasoning)
6 Dharmala	49	feed, farm product export, real estate, heavy equipment distribution, financial	1954	1970 ACT Pelletizing Fa. (animal feed)
7 Damatex	30	textile, steel, chemicals, leasing	1960	1970* Indonesia Synthetic Textile
8 Bank Baii	22	textile, tyre, leasing, financial, restaurant	?	1973* Bridgestone, Kanebo-N-S Textile
9 Arya Upaya	28	ceramics, financial, real estate, cosmetics	1971	? Indo-American Ceramics (ceramics)
10 Jaya	113	construction, real estate, hotel & tourism, building materials	1961	1970 Jaya Realty (real estate)
11 Bob Hasan	45	plywood, shipping, oil & gas related services, plantation, tin plate	1955	1970* Georgia Pacific Ind. (forestry)
12 Berdikari	19	flour milling, plantation, shipping, warehouse, financial	1965	1966 Bank Duta Ekonomi (banking)
13 Panin	28	financial, resin, textile	1971	1971 Pan Indonesia Bank (banking)
14 Mantrust	25	food & beverage, milch cow breeding	1958	1968* Friesche Vlag Ind. (milk powder
15 ABC	17	dry battery, seasoning & beverage, supermaket	196?	1965 P. Bapak Djenggot (seasoning)
16 Imora	21	passenger car, textile	1953	1970* Century Textile
17 Gesuri	44	shipping, insurance & leasing, consultant	1963	1974 Afas Abadi (owning & management)
18 Ometraco	16	feed, communication equipment distribution, real estate	1968	1971 Java Pelletizing Fa. (animal feed)
19 Soedarpo	32	shipping, financial, electronics, import & distribution	1952	1964 Samudera Indonesia (shipping)
20 Krama Yudha	9	automobile	1972	1973* Mitsubishi Krama Yudha (automobile)
21 Lautan Luas	9	chemical material, import & distribution	1951	1969* Ind. Acids Industry (chemicals)
22 Mugi	16	pharmaceutical, office & electronic equipment distribution	195?	1970* Schering Indonesia (pharmaceutical)
23 Tempo	35	pharmaceutical & cosmetics, import & distribution	1953	1970 Scancheie (pharmaceutical)
24 Gobel	11	electrical appliance	1954	1970* National Gobel (electrical appliance)
25 Teknik Umum	27	contractor, beverage, automobile parts	1950	1974 Tirtalina Bottling Co. (beverages)
26 Kedaung	22	glassware, chemical & plastics	1969	1973 Kedaung Subur (glassware)
27 Berca	22	real estate, electrical equipment distribution	1970	1974* Balfour Beatty Sakti I. (contractor)

Notes: 1. Major business groups are selected based on estimated sales of group as of 1986.
2. * represents a joint company with foreign capital.

Source: TBN data file and other various sources.

turnover in 1986, is a typical example of diversification levered by joint investment.[27]

William Soeryadjaya (Tjia Kian Liong), a leader of the Astra group who was born in West Java in 1922, spent his youth as a small trader around Cirebon, and in 1957 founded PT Astra as a trading firm of primary products, with his younger brother, the late Tjia Kian Tie, and a friend. In the late 1960s he began to engage in the import of trucks from General Motors and Chevrolet of USA and was given the chance of joining state-owned PN Gaya Motor, a truck-assembling factory, which was the sole agent for Chevrolet. But after Astra joined PN Gaya Motor, the company lost its position as sole agent. Both General Motors and also Nissan Motors of Japan regarded Astra as unqualified to be their sole agent.[28]

So it was not until Astra had the good fortune of becoming the sole agency for an assembling plan offered by Toyota Motor, Japan, that it made any remarkable progress. After setting up PT Toyota Astra Motor, a joint agent of Toyota automobiles in 1971, Astra proceeded to assemble and manufacture parts and components, surrounding systems in the automobile industry with five joint investment companies (all Japanese companies) by the mid-1970s.[29] At the same time, Astra extended its business scope by foreign-joint investments in motorcycles with Honda Motor (Japan) and in timber with Sumitomo Forestry (Japan), and also gaining sole agencies such as in heavy equipment with Komatsu Manufacturing (Japan, later set up a joint assembling company), in office machines with Fuji Xerox (Japan), in electrical appliances with Westinghouse Electric (USA), and in film with Kodak (USA). This process was possible with the backing of the import substitution policy where the former importers were encouraged to acquire an agency or production license, then further to enter assembling and manufacturing parts and components. In this way, Astra had already become a leading business group based on the automobile industry and machinery trade by the mid-1970s, with a cluster of group companies under the headquarters of PT Astra International. It was obvious at that time that foreign-joint investment, especially with Japanese companies, played a decisive role in initiating Astra's rapid development, and that was the main reason why the head office of PT Toyota Astra Motor was set on fire in the Malari riots of January 15, 1974, as it had become a target of political criticism of foreign-dependent "comprador capital."

The Astra group now, however, has entirely outgrown criticisms of it being foreign-dependent capital. As far as the author can ascertain, the group had as many as 197 group companies under its control as of 1986, out of which only 19 were joint companies and the other 7 had sole agency or license, so that the great major-

---

[27] For the Astra group, major information sources are, other than the TBN data, "Wawancara: William Soeryadjaya," *Eksekutif* (January 1980); "Corporate Leader of the Year: William takes Astra back to grassroots" *Asian Finance* (November 1983); "Bersinar dan Abadi Seperti Astrea," *Swasembada* (August 1985); "Pohon Astra dengan Tujuh Pokok," *Tempo* (November 1987); and "An Engine of Growth," *FEER*, November 17, 1988.

[28] "Corporate Leader of the Year: William takes Astra back to grassroots" *Asian Finance* (November 1983), p. 106.

[29] Eleven foreign-joint companies were set up in the automobile-related industry from 1971 up to 1989, all with Japanese companies. At the beginning of 1989, three of them, namely PT Toyota Astra Motor (sole agent), PT Toyota Mobilindo (parts and components), PT Toyota Engine Indonesia (engine assembling) and locally owned PT Multi Astra (assembling) merged into the new PT Toyota Astra Motor, so that the total of Astra's foreign-joint companies in this industry is nine at present.

ity of the group consisted of 100 percent domestic companies, including a variety of machinery-related manufacturers. Astra's main lines of business as of 1986 were—other than automobiles, motorcycles, and heavy equipment which form group's base industry—office/office automation equipment, wood-based industry, fishery, trade (particularly export recently), real estate, and, newly emphasized, the plantation and financial sectors.

Another case of conglomerate diversification is the Rodamas group, which was founded by Tan Siong Kie, born in Semarang in 1916. In the late 1960s, he invested intensively in the manufacturing sector and shifted the center of his business from general trading to manufacturing.[30] The first manufacturing sector he entered was galvanized iron sheets, of which Rodamas is now one of the largest manufacturers in Indonesia.

Other than his original industry, Tan Siong Kie threw himself into three new fields of manufacturing almost simultaneously: seasonings (monosodium glutamate) in 1967, detergents in 1968, and sheet glass in 1971. The first two were joint ventures with PT Sasa Fermentation (originally Hong Kong-based, but later changed in status to a domestic company) and PT Dino Indonesia Industrial respectively. The last was PT Asahimas Flat Glass, a joint company with Asahi Glass Co. in Japan. This series of relatively capital-intensive foreign-joint investments by the early 1970s laid the foundation of the group's business up to the present. The group's Sasa brand seasoning has obtained a little larger share than the Japanese world-famous brand, Ajinomoto, by PT Ajinomoto Indonesia, which between them, held around 80 percent of the market as of 1989. The group's Dino brand detergent is a strong competitor of the Rinso brand by Unilever Indonesia, an Indonesian branch of the Netherlands-based multinational with 15 percent listed stocks on the Jakarta Stock Exchange. And the group's sheet glass from two factories owned jointly with Asahi Glass Co. (PT Asahimas Flat Glass for building sheet glass and PT Asahimas Jaya Safety Glass for automobile safety glass set up in 1974) enjoyed until recently a monopolistic status in line with the government's protective policy for assuring the investor's scale merit. Although the present prosperity of the Rodamas group owes much to Tan Siong Kie's own business sense, it cannot be denied that the simultaneous diversification in these totally unrelated industries in the crucial stage of the group's development was only possible through the leverage of foreign capital and technology. A similar case is that of the Imora group, which set up two different businesses at almost the same time, namely textiles and automobiles.[31] In the first half of the 1950s, the owner of the present Imora group, Hadi Budiman (Ang Kok Ha, born in Jakarta in 1936) engaged in the textile trade at Kota in north Jakarta with his nephew, Ang Kang Hoo. At that time, he and his relatives, the Ang family, set up PT Istana Mobil Raya (IMORA), a vehicle repair and service shop. This became the background of the later unrelated diversification geared by foreign-joint investment in the New Order era. Hadi Budiman invested with a minor share in two integrated textile mills, PT Centex in 1970 and PT

---

[30] For Rodamas group, major information is from the TBN data, see Datatrust, *Reference Book on Indonesia's Major Business Groups* (Jakarta, 1986), and JETRO (annual), *List of Japanese Investment Projects in Indonesia* (Jakarta).

[31] Major information sources of Imora group are the TBN data, Datatrust [1986], "Wawancara: Ang Kang Hoo" *Eksekutif* (April 1986); "Perusahaan: IMORA MOTOR—Menerobos Kelesuan Pasar," *Eksekutif* (April 1985); "Pasar Sedan Indonesia: Siapa Yang Memimpin?" *Eksekutif* (January 1988); and Laporan Tahunan PT Centex, 1980–85.

Easterntex in 1973, both with Toray Industries (Japan), and in the same year he gained the sole agency of the Honda passenger car and began assembling from 1975.

The second type of diversification, which is named *cukong*-type diversification here, was closely related to the government's protective measures in line with the import-substitution policy. The policy effects of these protective measures must be analyzed at two different levels. The first is the general level where the effects worked equally for companies in protected industries. General protective measures included 1) import restriction by tariffs and 2) graduated restriction of foreign direct investment in consumer-goods light industries, starting from 1970.

The other level is that of the individual company, where specific protective measures included selective and exclusive economic privileges, such as:

1) limited or sometimes monopolistic import licenses in line with non-tariff import restriction mainly in raw materials and capital goods,
2) limited or sometimes monopolistic investment approvals in line with infant industry protection policy,
3) authorized distributorship, dealership, suppliership, and contractorship for the government/state-owned corporations/the Military which had the largest purchasing power as a single entity in this period, and
4) granting assets and sole agency which had been taken over by the New Order government from the Old Order government followers.

Whereas the general protective policy had indirect effects, these specific protective measures directly benefited some concerned businessmen. Some companies which were lucky to be granted such privileges were able to make conspicuous progress with the profit produced by the privileges. Further, luckier businessmen who acquired two kind of privileges in different industries were able simultaneously to expand their business in unrelated industries. Consequently, those privileges gave a good chance for concerned companies to realize rapid growth through their excess profits and to diversify their lines of business even in plural industries, which led them to conglomerate diversification.

The problem was, however, that in most cases the privileges were granted not by true "luck" nor by open evaluation based on an economically objective standard, but by arbitrary preference based on the degree of personal intimacy with political/military power elites. This is what Richard Robison called "patron-client structures, . . . mechanisms not for securing the adoption and implementation of particular policies but for gaining access to the distribution of benefices."[32] Although such structures are to some extent observed in such other Asian countries as Japan, they were of decisive significance in Indonesia, considering the limited growth chances for infant private companies at that time. Those business groups which emerged through the apparent leverage of such privileges were targeted as "*cukongs*" by journalists who made mention of merchants patronized by specific political/military leaders.

Among the business groups whose foundations were laid in 1967-1973 listed in Table 11, many more or less enjoyed the benefits of such economic privileges in the early stage of their development. Even those business groups which are now regarded as keeping some distance from the political/military power, admit that

[32] Robison, *Indonesia: The Rise of Capital*, p. 112.

they benefited to some degree from a specific relationship with the government. The Astra group, for instance, before it entered the automobile industry, benefited as an importer-supplier for the newborn government, and also the starting point for the group to embark on automobile assembling was an invitation by the then director general in the Department of Industry, Soehartojo, to participate in the rehabilitation of PN Gaya Motor.[33]

In the case of the Soedarpo group[34] led by Soedarpo Sastrosatomo, who founded NV PD Soedarpo Corporation in 1952, Soedarpo himself admitted high accessibility to import licenses and bank loans in the 1950s, partly due to his background as an official of the Department of Foreign Affairs and partly due to his close relations with the Indonesian Socialist Party (PSI) where his elder brother was one of the leaders. Now the group is one of the most well-known, particularly among non-Indonesian Chinese groups in Indonesia, and has three pillars of group businesses, namely distribution, shipping, and financial services. In distribution, which has been the oldest business for the group since the early 1950s, the fact that the largest purchaser of the group's electrical communication equipment and computers has consistently been the New Order government itself, such as the Department of Defense and the Department of Finance, is partly affected by "the special factor" of group's relation with the government.

A common feature of prominent "*cukongs*" in the early 1970s was that they emerged from fixed dealers with the government or the military. The Gunung Sewu group led by Dasuki Angkosubroto (Goh Swie Kie), who was originally a rice trader in Cirebon, dealt with BULOG as an appointed importer and distributor of rice, sugar, flour, tapioca, corn, etc., and by the beginning of the 1970s made an initial profit for the group's later development mainly in real estate.[35]

Before the Gunung Sewu group came to stand out as a BULOG distributor, in the late 1960s the Mantrust group had enjoyed the same privilege, because General Achmad Tirtosudiro, the former commander of the military for which PT Mantrust (Management Trust Co. Ltd.) had been a major food supplier, moved to BULOG. Based on this experience in food distribution and food processing, the Mantrust group led by Teguh Sutantyo (Tan Kiong Liep) grew into a leading business group centered on the food industry, ranging from meat, fish, fruit and vegetable canned food, milk products up to milk cow breeding at present.[36]

The case of the Mantrust group indicates that supplying the military in the 1950s and 1960s tended to develop into specific privileges in the 1970s. This holds true for the Liem Sioe Liong group, the Bob Hasan group, and also the Sinar Mas group to some extent. The most prominent example is the Liem Sioe Liong group, the largest Indonesian business group as of 1986, which made a success of effective use of

---

[33] *Eksekutif* (January 1981), p. 14. Robison, *Rise of Capital* [pp. 277–96] emphasized William Soeryadjaya's close connections with politico-bureaucrats as the most crucial factor of Astra's growth.

[34] For the Soedarpo group, major information comes from the TBN data; "Wawancara: Soedarpo Sastrosatomo," *Eksekutif* (September 1979); "Soedarpo: Dari Agen Sampai 46 Kapal," *Swasembada* (August 1985); and Laporan Tahunan Bank Niaga, 1978–86.

[35] For the Gunung Sewu group, other than the TBN data, major information is from Robison, *Rise of Capital*, Datatrust [1986], and Sondang PN [1984].

[36] For the Mantrust group, major information sources are the TBN data, Robison]1986, pp. 231–32], Datatrust, *Reference Book*, and "Mengatasi Kemelut Persusuan," *Eksekutif* (August 1982).

economic privileges in the initial stage of the group's development with a typical *cukong*-type conglomerate diversification.[37]

Soedono Salim (Liem Sioe Liong) is one of a few active business leaders at present who were born in mainland China and who were counted among the main "*cukongs*" in the early 1970s. In 1916, he was born in Futsing in Fukien province in South China, and in 1938 came over to Kudus, the clove cigarette town in central Java, where his uncles and elder brother had already emigrated. Originating from being a small moneylender and trader,[38] he had grown by the 1950s to be, on the one hand, a clove importer supplying clove cigarette factories there, and on the other, a supplier of food, clothes, shoes, and medicines to the Diponegoro division of the military, where Liem got acquainted with the commander, Soeharto, through Soejono Humardani who was in charge of finance.

Thus, the days in Kudus in the 1950s formed the basis of the later remarkable development of his business after the inception of the New Order. In 1968 Liem and another businessman, Probosutedjo, a half brother of President Soeharto,[39] were given the exclusive rights for the clove imports in which Liem had so far dealt. The reason given was that clove imports should be stabilized in price and in direct import routes by fixed importers. Clove imports brought a good deal of profit (for instance about US $5 million as of 1981)--5 percent of the total import values which accounted for around 70 percent of domestic demand--to the two companies, namely Liem-owned PT Mega and Probosutedjo-owned PT Mercu Buana.

Almost simultaneously, another privilege was given to Liem in the flour-milling industry. He set up PT Bogasari in Jakarta in 1971 and in Surabaya in 1972, in charge of all flour supply in East Indonesia. Later, PT Prima in Ujung Pandang, a foreign-joint company in charge of flour supply in West Indonesia, was acquired by the BULOG and entrusted to Liem's management, which resulted in Liem's gaining substantial control of the flour supply in this industry. It cannot be denied that all these favors granted him related to his closeness to the military in general, and to the new president in particular. With the aid of these two privileges, Liem Sioe Liong emerged as a highly diversified conglomerate; his business under the Old Order, that is, trade, financial, and consumer-goods production, rapidly expanded to flour milling, real estate, and cement by the early 1970s, and to food-processing, forestry, automobile assembling, paper products, and plastics by the early 1980s. From then it expanded further to tire cord, steel products, plantations, and petrochemicals.

To sum up, in the initial stage of industrialization in 1967-1973, two key factors functioned as epoch-making moments for newly emerged business groups to pursue a conglomerate diversification strategy, namely joint investment with foreign capi-

---

[37] Information on the Liem Sioe Liong group is from the TBN data; S. E. Siregar and K. T. Widya, *Liem Sioe Liong: Dari Futching Ke Mancanegara* (Jakarta: Pustaka Merdaka, 1989); E. Soetriyono, *Kisah Sukses Liem Sioe Liong* (Jakarta: Indomedia, 1989); "Birth of a Mulinational," *FEER*, April 7, 1983; *Insight* (May 1978); "Dari Kudus Menuju San Francisco," *Swasembada*, August 1985; Datatrust, *Reference Book* [1986]; and Laporan Tahunan Bank Central Asia, 1976–85.

[38] Siregar and Widya (*Liem Sioe Liong*) revealed that Liem Sioe Liong was a small but diligent and reliable moneylender, from interviews with his old acquaintances in Kudus.

[39] Probosutedjo is a younger brother of President Soeharto, but of quite different blood, for Probosutedjo's mother, who already had seven children including Probosutedjo, married Soeharto's father who had divorced his second wife, who was Soeharto's mother.

tal and economic privileges. The importation of foreign capital and technology and the acquisition of excess profits respectively enabled potential businessmen with few business resources to grow rapidly and to form business groups conspicuously in this very short period, until they came to be criticized as "comprador capital" or as "*cukong*" for the very reason of their growth factors.

Those who succeeded in forming business groups through aggressive diversification, as illustrated above, were, in reality, a small minority of all potential businessmen. The majority was not so fortunate as to get the chance for foreign-joint investment, nor to gain economic privileges. Most new manufacturers also tended to diversify because they could not survive otherwise. This was due to the narrowness of the domestic market. While the government industrial promoting policy took effect to some extent on the supply side, the size of a single manufactured product market on the demand side was very limited at this stage. Added to this, another reason to weaken demand for domestic-made products was low-priced imported goods. Even if import was restricted by tariff/non-tariff barriers, domestic-made goods could not compete with smuggled goods in price.

Consequently, it was difficult for average businessmen to concentrate on either manufacturing or trading a single product, because that strategy requires a high growth rate or large size of the concerned product market. Instead, they had to search for quick-return cash-income sources outside their main business. They had no choice but to diversify their lines of business.

B. The Period of the Oil Boom: 1974–1981

(1) Macro-Economic Conditions and Policies

The sudden rise in the price of oil in the fourth quarter of 1973 opened a new era of "oil economy" for Indonesia. Since then throughout the 1970s, Indonesia experienced two waves of oil boom.

By 1981 when the second oil boom was drawing to an end, the structure of the Indonesian macro economy had, intentionally or unintentionally, entirely changed into one which presupposed abundant oil revenue. Structural features of the "oil economy" were well symbolized by two sets of figures: first, the high proportion of oil and gas exports to total commodity exports (80.5 percent at the peak in 1981) and its expanding speed, at 19.3 percent on average in 1974–81, and second, the high proportion of oil tax revenue to the total fiscal revenue (62.0 percent at the peak in 1981/82) and its expanding speed at 36.6 percent a year in 1974/75–1981/82.

Besides, the oil bonanza had a far-reaching influence on institutional aspects in the economy. The tax system and the financial system were typical examples. With the rapid increase of oil tax revenue, an attempt to expand the tax-base and coverage of taxpayers for non-oil tax items had long been neglected until tax reform in 1984. The government could even afford to keep on providing tax holidays for newly set up companies in many promoted fields of industry throughout this period. In the financial system, only with an ample financial flow into the monetary authority could the central bank continue direct credit to specified state-owned and private companies, and "liability credit" to five state banks to finance their credit with low fixed interest rates. This subsidized credit system lasted until financial reform in June 1983.

From the standpoint of private companies and business groups, the macro-economic conditions were certainly favorable, though a leading actor was the

government itself as a direct receiver of the oil bonanza and as the largest investor-financier. Private capital enjoyed the benefits of the oil boom in three main ways: the tax holidays as an incentive for new investment in promoted fields; subsidized borrowing from state banks; and direct/indirect effect of expanding government expenditures which generated government as well as private effective demand.

As for economic policy, the oil price upsurge did not necessarily have a direct impact on policy. Instead, it may be correct to say that a dramatic policy turnabout coincided with the oil price upsurge: a turnabout from open-door liberalism to economic nationalism. The coincidence was quite fortunate, for, without being supported by oil revenues, economic nationalism would never have continued to be financed up to the beginning of the 1980s.

In the Malari incident, an anti-Japanese, anti-Chinese riot on January 15, 1974, criticism against fast-growing business groups, particularly those owned by Indonesian Chinese which appeared to conglutinate with foreign capital or political/military patrons, finally reached its peak. Immediately after the incident, the government announced new policy guidelines,[40] the orientation of which was obviously dominated by economic nationalism. Economic nationalism emphasized a balanced allocation of the fruits of development along three different dimensions: giving priority to (1) national capital against foreign capital, (2) state capital against national private capital, and (3) *pribumi* capital against non-*pribumi* capital.

In line with the first dimension, foreign direct investment began to be tightly regulated on such items as conditions of partnership, capital localization, and foreigners' employment, and was restricted only in intermediate or capital goods import-substitution sectors. Concerning the second dimension, the role of state capital was emphasized, particularly in middle-stream and upstream import substitution and resource-based industries (rather than private capital which tended to widen the gap of income distribution in the private sector). Along the third dimension, an emphasis was placed on *pribumi* against non-*pribumi* capital, which meant in practice Chinese capital.[41] For this purpose, discriminating measures in favor of *pribumi* capital were introduced in such fields as conditions governing foreign investment partner, investment credit, small credit, and so on.

(2) The Age of Integration for Business Groups

While general economic conditions were no doubt good enough during the oil boom period, the question of whether or not oil revenue was effectively accumulated in the Indonesian national economy still seemed unanswered at the time when the second oil boom was drawing to an end. One persuasive view held that the windfall oil bonanza was not effectively accumulated but almost wasted,[42] as symbol-

---

[40] The guidelines were results of the urgent Economic Stabilization Council on January 22, 1974. After that, the government announced some subsequent measures: the Presidential Decree on restriction of employment of foreigners in April (Keppres No. 23/1974), the BKPM circular on Indonesianization of foreign investment companies in October (No. B1195/A/BKPM/X/1974) and so on.

[41] On the dichotomy of *pribumi*/non-*pribumi* and the origin of its usage, see S. Siddique and L. Suryadinata, "Bumiputra and Pribumi: Economic Nationalism in Malysia and Indonesia," *Pacific Affairs* 9 (1981): 662–87.

[42] Such a view is seen in, for instance, H. McDonald, *Suharto's Indonesia* (Australia: Fontana Books, 1980), pp. 163–64.

ized by the Pertamina crisis in 1975, a bankruptcy of the excessively diversified Pertamina businesses as a result of loose management. However, the author does not agree with such a negative view, because precise study at the micro level shed light upon the fact that dozens of private companies successfully took advantage of the unprecedented booming environment and actively expanded production and investment until they emerged as another cluster of business groups, as listed in Table 12. Viewed from this perspective, negative effects of economic nationalism, such as hostility to foreign capital and non-*pribumi* capital, were considered as not so seriously affecting the development of domestic private capital. The *pribumi* priority, in particular, was not legally binding, unlike Bumiputra policy in Malaysia, so that in reality Indonesian Chinese capital as a dominant element has been allowed substantial latitude.

Table 12. Major Business Groups Developed in the Period of Oil Boom, 1981

	Business groups	Number of companies	Main business under control as of 1986	Year of foundation	Undertaking company as the first step for formation of business groups
28	Gajah Tunggal	31	tyre & rubber product, paint, cable, real estate, financial	1961	1977* Inoue Rubber Ind. (rubber product)
29	Maspion	7	aluminum & stainless steel product	1971	1978 Aluminum Light Metal (aluminum product)
30	Lippo	35	financial, electrical & electronics, textile, automobile component	1976	1978* Lippo TSK Ind. (cable for automobile)
31	Wanandi	49	automobile component, chemicals, financial	1973?	1979 Anugerah Daya Laksana (shareholding)
32	Kalbe Farma	10	pharmaceutical, food	1966	1979 Inful Utama (antibiotic)
33	Modern	13	photofilm, camera, real estate	1971	1978 Modern Photo Industry (film)
34	Sucaco	11	cable, copper & aluminum processing	1970	1977* Tembaga Mulia Semanan (copper rod)

Note: 1. Major business groups are selected based on estimated sales of group as of 1986.
2. * represents a joint company with foreign capital.

Source: TBN data file and other various sources.

Consequently, the oil boom period can be regarded as a step by already-highly-diversified business groups toward prosperity at the same time as a growing process for a new cluster of business groups. The latter, that is, business groups which emerged in the oil boom, had different features from those developed in the initial industrialization period. These differences were not only due to the difference in environmental conditions, but also to a difference in the business groups' growth strategy. The characteristic strategy of the newly emerged business groups was, in a word, integration, rather than the diversification common in the preceding period.

One of the most influential differences in environmental conditions between the pre and post 1974 period was the expansion of the domestic market. The abundant oil tax revenue in the national treasury suddenly pushed up the role of government as a sponsor of large-scale projects in infrastructure as well as upstream industrial sectors. The effective demand was generated through contractors and suppliers for government projects, and spread over to and stimulated private consumption

demand. As a result, the domestic market, the narrowness of which had so far hampered private capitalists from developing in a single field of industry, lifted its own ceiling. Growth of demand which brought about domestic market expansion are well described in the change of composition of GDP expenditure categories in Table 13; the share of government consumption demand increased 4.4 points in the first oil boom period (1974-79) and the increase of the share of private consumption demand accelerated in the second oil boom period, as high as 8.5 points in 1979-81.

Under the conditional change of market expansion, whether or not an individual private company could exploit its own product market came to affect the company's turnover directly. That is why some private companies, for the purpose of intensifying their market activities, started to extend the scope of their business from manufacturing to building a distribution network for their products. To intensify marketing with dispatch, they were inclined to own several marketing companies with some spatial coverage in this extensive country, either by setting up new companies or by affiliating existing ones with partial equity acquisition. As a result, they got hold of several agents vertically under the same ownership and management to promote the marketing of their products, which resulted in the formation of business groups. This was one of the typical development patterns observed in this period which can be classified as growth by forward integration.

Table 13. Percentage Distribution of GDP by Expenditure Categories (at 1973 constant prices)

	Private Consumption	Government Consumption	Domestic Capital Formation	Net Export	GDP (%)
1974	75.0	8.8	19.8	-3.6	100.0
1975	74.4	11.0	21.6	-7.0	100.0
1976	74.0	11.0	21.4	-6.4	100.0
1977	72.7	11.6	22.9	-7.2	100.0
1978	71.9	12.8	24.4	-9.1	100.0
1979	77.4	13.2	24.0	-14.6	100.0
1980	79.4	13.3	25.9	-18.7	100.0
1981	85.9	13.6	26.7	-26.2	100.0

Source: Central Bureau of Statistics.

The development of the Imora group in the automobile industry up to the early 1980s gives a good illustration of the process of forward integration. PT Prospect Motor, the group's assembling factory, was set up in 1973 and started assembling the small-class Civic in 1975, when the Honda brand accounted only for 7.5 percent of the passenger car market. In 1978, however, Imora-Honda introduced the middle-class Accord into the market, which led the group's market share in passenger cars to rise remarkably to 20 percent by 1980, and further to over 30 percent after 1984.[43]

Other than the appropriate selection of class and model of car mainly at the initiative of Honda, such a good performance was also due to Imora's marketing strategy where the marketing outposts such as dealers, showrooms, parts centers, and service stations, were vertically integrated under the sole distributor, PT Imora Motor.[44] As of 1986, the Imora group had twenty-one affiliated companies, as far as

[43] *Eksekutif* (April 1985), pp. 67–68.

[44] Datatrust, *Reference Book*, 143–44.

the author can identify them, of which thirteen are related to the automobile industry and eight out of these thirteen are in the marketing sector, newly set up or affiliated by the group from the late 1970s up to the beginning of the 1980s. Including contracted dealers, the group had forty dealers throughout Indonesia as of 1984.[45] The Imora group preceded other automobile assemblers in forming a vertical chain of distribution within the group and proved the significance of marketing strategy.

The other growth strategy observed in this period was backward integration. While forward integration was with full use of favorable economic conditions, especially domestic market expansion, backward integration was a pattern taking advantage of the government's protective policies.

One of the significant problems for domestic private manufacturers when they expanded production in line with rising demand was how they could obtain stable sources for procurement of materials. In most cases at that time, supply of raw or semi-processed materials, either imported or domestically procured, was not stable in terms of their origin, time of delivery, or available quantity and quality, except in the case of foreign-joint companies where materials were stably supplied or controlled by foreign parent companies. Therefore, material procurement under their own control was a common necessity for manufacturers.

What made some companies realize this necessity were the government measures for nurturing, protecting, and subsidizing domestic industries backed by the oil revenue. In the framework of the import-substitution policy in intermediate goods, new investment in the promoted fields of industry was substantially subsidized through tax exemptions and was often protected through guaranteeing its scale of economics by giving no subsequent approvals. State bank loans with low fixed interest rates also supported such investment by domestic private capital.

With full use of the policy back-up, some companies successfully invested in the fields of materials or semi-processed inputs for their current line of business. Even in this instance, however, they tended to look for the assistance of foreign cooperation. Fortunately, the intermediate goods sector was not closed to foreign investment. Moreover, the guideline that local partners of foreign investors should be *pribumi* businessmen did not hamper foreign investment in this sector, because there was a well-known loophole of using a *pribumi* dummy, and also because the guideline gradually came to be not very strictly implemented. Therefore, the chance of setting up foreign-joint companies in the intermediate goods sector was virtually open to any interested company. Backward integration, then, was the other path for a single inconspicuous manufacturer to develop into a business group.

The Sucaco group provides a good example of this process.[46] PT Sucaco (PT Supreme Cable Manufacturing Corp.), a core manufacturing and shareholding company of the group, was the first domestic investment company (PMDN) to go public in 1978 and is now a top cable manufacturer in this country, with ten companies under its control.

In 1970, PT Sucaco started as an importer and distributer of cables and in the early 1970s it entered into manufacturing as one of the first cable manufacturers

---

[45] *Eksekutif* (April 1985), p. 70.

[46] For the Sucaco group, major information is from the TBN data; "Perusahaan: Sucaco—Merentang Kabel Tanpa Ujung" *Eksekutif* (May 1984); "Sucaco: Ujian Kabel di Bangkok" *Tempo*, October 3, 1987; and Laporan Tahunan PT Sucaco, 1980–84.

under the Domestic Investment Law. Before the oil boom, however, the company suffered from heavy competition with imported and other domestic-made cables in the too small domestic market, to the extent that, in order to survive, PT Sucaco was forced to diversify into another business of quick-returns, making formica for furniture and housing.

In fact, the success of PT Sucaco owed much to government-sponsored projects starting in the sector of power transmission and transformation and telecommunication networks. After 1976, when PT Sucaco pioneered the manufacturing of telephone cable by technical cooperation with American and Japanese experts, the company's performance began on an upward spiral.

Then in 1977, the owner-managers of PT Sucaco decided to set up a copper wire rods factory, PT Tembaga Mulia Semanan, through joint investment with Furukawa Electric Co. from Japan, because domestic cable manufacturers called for domestic procurement of this material for all kinds of electrical and telephone cables. Sucaco's searching for backward linkage was not limited there, but to provide material for aluminum cables they set up another factory, PT Supreme Alurudin, joining with other domestic cable manufacturers in 1982, where 65 percent of shares were owned by the Sucaco group. This is the process of the Sucaco group's backward integration, which enabled quantitative expansion of their cable production and qualitative leveling-up of the produced cables.

C. The Period of Post-Oil Recession: 1982-1986

(1) Macro-Economic Conditions and Policies

By the end of 1981, the second oil boom in Indonesia had already begun to be clouded by the influence of world recession. Then in April 1982 the oil glut in the international market compelled Indonesia to cut oil production by 18 percent through the OPEC agreement, which was one of the essential causes of the drastic downfall in real GDP growth rate from 7.9 percent (1981) to 2.2 percent (1982). This was the beginning of the post-oil era for the Indonesian economy, and the beginning of a post-oil recession, not of an ordinary business cycle but of a highly structural nature.

In 1982, however, the government did not yet recognize the structural nature of this recession and still persisted in its expansionist policy, with a number of large capital-intensive projects based on the prospect of a quick recovery of oil demand. Then in the first quarter of 1983, the oil price suddenly fell to the US $20 per barrel level, which drove the government to a drastic change of its policy framework from state-led expansionism to structural adjustment toward a "post-oil economy."

The structural adjustment policy developed by stages. The first stage was an allopathic reaction to cope with the sudden decline in oil revenue which drove Indonesia's foreign reserves to a minimum level. The reaction included devaluation of the rupiah by 28 percent in March 1983, rephasing of forty-eight capital-intensive foreign-exchange-consuming government projects amounting to around US $21 billion, and raising occasional financial assistance from abroad such as commercial loans and government bonds.

The second stage was institutional adjustment of the financial and tax system (which had so far been dependent on oil revenue). Financial reform in June 1983 (the first financial reform) was intended to cut subsidized loans by Bank Indonesia and state banks and to liberalize interest rates of state banks and lending ceilings of all

banks, for the purpose of mobilization of domestic funds by the use of the price mechanism. Meanwhile, tax reform in 1984 was a measure to cope with the decrease in oil tax revenue, and was intended to increase non-oil direct tax, and concurrently to increase indirect tax revenue by introducing a new system of value added tax.

The third stage of the structural adjustment was a series of deregulation packages. The government intention in deregulation was: to reform the current "high-cost economy" to be a more efficient economy so that domestic-made products would be competitive in the international market, by simplifying bureaucratic procedures and by lifting and relaxing a variety of restrictions so far accumulated in the deepening process of import-substitution. The object of a series of deregulation measures ranged over improvement of customs operations, lowering of import tariff rates, transformation of non-tariff import barriers into tariff barriers, relaxing of foreign investment regulations for promoting export-oriented investment in particular, and opening the entry for domestic as well as foreign capital into so far investment-closed sectors, and drastic liberalization in banking, insurance, leasing, securities exchange, credit card and other financial services, shipping industry, and a wholesale sector for foreign capital.

The government began to recognize the necessity to vitalize the private sector in place of the state sector, to boost non-oil exports in place of oil exports, along with the transition from the oil economy to the post-oil economy. Thus, through the structural adjustment process, their policy stance gradually but clearly shifted from protection to competition, from intervention to market orientation, and from an inward-looking to outward-looking strategy.

(2) The Age of Concentration for Business Groups

The post-oil boom recession deeply affected the structure of private capital. The environmental conditions for private companies and business groups were entirely changed from the preceding period. Retrenchment of government expenditure had direct and indirect negative effects on private demand. The expansion of the domestic market which had supported the growth of business groups up to the early 1980s slowed down, and then began to shrink in many industries. For example, automobile sales dropped from a peak of 208,000 units in 1981 to around 150,000 units after 1983. The market for electrical appliances like radio, television, and cassette recorders also retrenched by 1986 to the level of 65 percent of that of 1980.

In addition, a variety of government subsidies, not only those for such specific goods as petroleum products and fertilizer, but also substantially subsidized state bank loans as well as tax holidays, were cut down one after another.

In difficult situations like this, lay-offs, the curtailment or shutdown of operations, and even the bankruptcy of companies were no longer infrequent incidents. Even among business groups, some began to decline and at last almost faded, and some apparently diminished in scale as in the preceding period. An example of the declining businesses was the Harapan group led by Hendra Rahardja (Tan Tjoe Hin), a fast-growing group in the latter half of the 1970s based on Yamaha motorcycles, shopping complexes, hotels, and financial services.[47]

---

[47] For the decline of the Harapan group, see "Hotelier's Plans in Singapore Disappear," *Asian Wall Street Journal*, November 25, 1987.

Other examples were the Hasjim Ning group,[48] the Poleko group,[49] and the Berkat group.[50]

In contrast, some groups were inclined to expand the scope of their business, not necessarily for positive reasons but because they could no longer survive in their original product markets, and had to search for some other quick-return business to earn their living, or that they needed to diversify their business risk. However, since promising industries which allowed entry of many companies (such as housing development in urban areas, insurance, and leasing industries) were very limited at that time, this small number of industries became competitive and were not always assured of good profits.

For the same reason, some established business groups started to look for overseas business opportunities instead of remaining in the depressed domestic market. They usually had the center of their overseas business in Hong Kong, by newly setting up or taking over trading or financial companies by the early 1980s. Such groups included the Liem Sioe Liong group (their overseas business is called the First Pacific group), the Astra Group (their overseas business is called the Summa group[51]), the Dharmala group, the Arya Upaya group, the Sinar Mas group, the Lippo group, and so on.[52]

Therefore, no single tendency could be observed in the movement of business groups in this period. What is interesting, however, is the emergence of business groups which concentrated on a single product. One such new industry in which several business groups emerged, relying on a concentration strategy, was the plywood industry. Although concentration was not the general tendency in this period, it is worth mentioning as a prominent corporate strategy that appeared for the first time in this period.

The term "concentration strategy" here does not mean either capital concentration or seller concentration, but a type of corporate strategy for growth, in which the focus is on a single product and whatever is done is related directly to that product. One of the significant prerequisites in pursuing a concentration strategy is that the market of the product concerned is expanding with some speed or is of same size. Of the forty-seven largest business groups, there are eleven which concentrated largely on a single product during the studied period; four groups are in the traditional clove cigarette industry (see Table 14), and seven are in the plywood industry (see Table 15). Whereas the clove cigarette industry has been tradition-

---

[48] Companies in the automobile and banking industry which had been the core of the Hasjim Ning group in the 1970s were partly or mostly taken over by other groups such as Astra, Liem Sioe Liong, and the Lippo group. On the Hasjim Ning group's development up to the early 1980s, see Hasjim Ning, *Pasang Surut Pengusaha Pejuang: Otobiografi Hasjim Ning* (Jakarta: Grafitipers, 1986).

[49] The Poleko group was one of a handful of pribumi business groups with a good performance in the 1970s, but in the 1980s the group sometimes failed to fulfill equity pay out.

[50] In the 1970s, the Berkat group was one of the conspicuous groups with a basis in forest-based industries, but in the early 1980s the group received a double shock from the recession and from the death of its founder, Soetopo Jananto (Yap Swie Kie).

[51] The Summa group is Astra's sub-group based on the financial and real estate sectors and led by the William Soeryadjaya's eldest son, Edward Soeryadjaya. This group had developed in overseas business since the late 1970s, but in 1989 it moved its headquarters to Indonesia after the banking deregulation. See below, p. 149.

[52] Information by Pusat Data Bisnis Indonesia.

ally the single largest manufacturing industry in Indonesia,[53] the plywood industry was a fast growing new industry, promoted by a series of government policy measures after 1979. Without being restricted by the ceiling of domestic market, the plywood industry could grow by exports which started from a negligible level in the late 1970s to become a billion dollar earner in a short period. While all the leading companies in the clove cigarette business groups were set up before 1960, almost all the plywood-based business groups were established in the 1980s.

Table 14. Business Groups in Clove Cigarette Industry

Business groups	Number of companies	Main business under control as of 1986	Year of foundation	Main clove cigarette company and its place
44 Gudang Garam	13	clove cigarette	1958	Gudang Garm Kediri, E. Java
45 Djarum	8	clove cigarette, electrical appliance	1951	Djarum Kudus Kudus, C. Java
46 Bentoel	4	clove cigarette	1956	Bentoel Malang, E. Java
47 Sampoerna	5	clove cigarette	1913	H. M. Sampoerna Surabaya, E. Java

Source: TBN data file and other various sources.

Table 15. Business Groups in Plywood Industry, Developed in the Period Post-Oil Recession, 1982-1986

Business groups	Number of companies	Main business under control	Year of foundation	Main plywood company and the year of establishment
37 Satya Djaya Raya	21	plywood, building material, auto part, financial	1965	? Satya Raya Indah Woodbased
38 Barito Pacific	10	plywood	1975	1981 Sinar Barito Indah Plywood
39 Alas Kusuma	6	plywood	1975	? Harjohn Timber
40 Hutrindo	12	plywood	1969?	? Hutrindo Prajen Plywood Mfg.
41 Bumi Raya Utama	8	plywood, ceramics, electrical appliance	1975	1979 Kurnia Kapuas Plywood
42 Tanjung Raya	6	plywood	1969	1979 Tanjung Raya Plywood
43 Kayu Lapis	2	plywood	?	1977 Kayu Lapis Indonesia

Source: TBN data file and other various sources.

As is well known, forestry is one of the old industries in Indonesia. In the last two decades, the industry has remained the top ranking foreign-exchange earner. But the products have changed entirely: from logs to timber, and then to plywood. And keeping step with this transition, the producers have also changed. In the age of logging, when many people entered this industry, the most important thing for them was to gain a large area of forest concessions, which naturally related to political connections. In the rise of timber exports in the late 1970s, some businessmen who got ahead in investment and technology importation could command the

[53] In terms of value added, the cigarette industry accounted for 27.9 percent (1971) and 19.1 percent (1980) in total manufacturing value added, still the largest single manufacturing industry in the 3-digit level.

market, for example Burhan Uray (Bong Sun Ong) of the Djajanti group and Soetopo Jananto (Yap Swie Kie) of the Berkat group. Marketing was not a problem for timber exports. But the government wanted to promote plywood exports and banned timber exports. Under the new conditions, new men and new companies emerged in place of the former forest kings.

In pursuing a concentration strategy, market expansion as an exogenous condition is merely a necessary condition. Market exploitation by companies themselves as an endogenous factor constitutes a sufficient condition. In this regard, market exploitation efforts in the Indonesian plywood industry were outstanding. Apkindo, an association of the plywood industry, demonstrated leadership in market exploitation; it was externally a hard negotiator toward importer countries and internally an imposer of export assignments toward member companies. As a result, Indonesian-made plywood went into new geographic areas, starting with the USA, expanding to the Middle East, Africa, Western Europe, and finally to Japan. The process of exploiting new geographic areas paralleled the process of exploiting new market segments, since the standard size and required quality differed for each country. In the condition of geographical and segmental market development, those who succeeded in gaining a larger market share have naturally emerged as new business groups, with several integrated wood-based companies to exercise the scale of economies.

For instance, the Barito Pacific group led by Prayogo Pangestu (Phang Dju Phin) who was born in 1941, earned at least 13.5 percent of total foreign currency by export of wood products.[54] The Barito Pacific group has consistently concentrated on wood-based industries. In 1981, its first investment was laid in South Kalimantan with two plywood companies and one sawmill in the area of 460,000 Ha. After these companies started production in 1983, the price of plywood in the international market fell and some advanced wood-based companies suffered a direct blow. In this situation, the Barito Pacific group tried to cut down production costs without expanding production, but concurrently sent their workers for training to Taiwan for future qualitative advancement. The difficult period was surmounted and the second growth period for the group began. In 1985, the group extended its production area to North Maluku by establishing two new integrated wood-based companies, and to Ternate island with the acquisition of a small-scale wood-based business group named Pan Tunggal. This demonstrates that the group transformed itself in this period, establishing an overseas network of representatives in line with geographical market expansion, extending from Singapore, Hong Kong, and Texas in the USA to Tokyo, Japan. The scale of the group as of the beginning of 1988 was seven plywood companies, eight logging and sawnwood companies, with thirty-two factory units across five provinces, employing 30,000 workers.

---

[54] Major information of Barito Pacific group is the TBN data, Data Consult, *Exclusive Report on 150 Major Groups of Companies in Indonesia* (Jakarta, 1987); "Barito Pacific Timber Group: Pemasok Devisa Nasional," *Harian Neraca*, January 25, 1988; and "Industri Kayu Lapis," *Eksekutif* (November 1984).

4. The Development of Indonesian Business Groups since 1987

A. Macro-Economic Conditions and Policies

The serious efforts of structural adjustment in the preceding period at length came to bear visible fruit in some spheres. The time needed for customs clearance of imported goods was shortened to one to two months. The lifting of non-tariff import barriers on some steel products and plastics materials among others reduced input costs for domestic manufacturers. The newly introduced value-added tax raised the growth rate of government indirect tax revenue. The most important outcome of structural adjustment in the context of this paper was the rise of manufactured exports and investment.

The year 1987 proved worthy of record as "the year of non-oil-gas exports," which slightly exceeded oil-gas exports for the first time since the first oil boom in 1974. At the peak of the second oil boom in 1981, Indonesian oil-gas exports (composed of crude oil, oil products, and natural gas) reached over US $20 billion, accounting for 82 percent of the total exports. The rest, non-oil-gas exports, amounted to 18 percent, of which manufactured exports came to no more than 10 percent of the total. However, such competition was dramatically inverted in the subsequent five years. Crude oil exports halved their share from 67 percent in 1982 to 29 percent in 1987, which brought oil-gas exports to less than half of the total. In contrast, non-oil-gas exports showed remarkable progress, expanding their share from 18 percent to 50 percent during the same period. The best was the performance of manufactured exports which almost tripled their value in only five years and raised their share from 11 percent to 39 percent, then to 48 percent in 1988. In addition to the upswing of export value, the variety of manufactured goods began to expand. Main export items were no longer limited to the two "primadonnas," namely textiles and wood products, but now included such new items as rubber products, processed food, paper products, and electrical appliances which surpassed US $100 million in 1988.

The good performance of manufactured exports was no doubt an outcome of policies in the export-promoting framework started in the post-oil recession period. Two points should be mentioned here. The tax drawback system for export goods which had been formerly applied only to textiles (so-called SE system) were now expanded to materials, components, and production equipment for all export goods. This measure seems efficacious in neutralizing the import-substitution bias when a country pursues the dual policy of upstream import substitution and downstream export promotion, as the Korean experience has shown. Another point concerns rupiah devaluation. The two devaluations of the rupiah in the 1980s, especially the first one, were in fact allopathic measures for covering the sudden drop in oil dollar government revenue as stated before, but in the long run they had a meaningful effect in correcting the value of the rupiah which had been over-valued throughout the oil-boom 1970s.

The second notable feature of the macro economy after 1987 was the rise of investment, foreign as well as domestic. The rising wave of approved investment by the BKPM started around the latter half of 1987 and continued up to at least the end of 1989. For foreign investment, it may be called the second big wave in New Order Indonesia after the first wave in the early 1970s. The investment wave this time must be observed in the context of dramatic structural change in the Asian region after the Plaza Agreement of September 1985, that is, the sharp apprecia-

tion of the yen, the subsequent currency appreciation and the rise of wages in Taiwan and Korea, the loss of these countries' export competitiveness, and in consequence, the shift of labor-intensive production toward low-wage ASEAN countries. This is why the investment rush was almost simultaneous with other ASEAN countries and also why Taiwan and Korea newly joined the top investors. Other than labor-intensive, the nature of investment from Japan and Asian NICs was export-oriented. Those industries, like garments, sports shoes, and toys, which Asian NICs intended to move to the ASEAN countries, were originally for export mostly to the American market. For Japanese investment, the recent tendency has been to shift labor-intensive production processes within an assembling industry (such as automobiles, electrical, and electronic industry) to low-wage countries and then to re-import the final or semi-processed products to Japan. Indonesia seems to have succeeded in riding on the investment wave in the Asian region as a whole, because of policy efforts with a series of deregulations for export-oriented foreign investment.

The fact that domestic investment rose parallel with the foreign investment shows that business chances rapidly expanded also for domestic companies. Domestic companies were stimulated first by new business opportunities in export-oriented industries such as shrimp breeding, food processing, rattan furniture, and metal processing, and second by liberalization of new entry into such industries as tourism and hotels, shipping, banking, and other financial services.

In this way, the structural adjustment efforts in the midst of the post-oil recession aroused the macro-economic revitalization after 1987, featured by the rise of manufactured exports and export-oriented investment. It is important to note that the policy efforts toward "deregulation" and "liberalization" proceeded steadily in this subsequent period. What is crucial in sustaining the revitalized economy is that the policy orientation never moves toward "re-regulation" which hampers legitimate competition in the open market.

B. Is the Revitalization a Threat or an Opportunity for Business Groups?

Under the aforesaid revitalized conditions of the national economy, what has been the effects on the micro level? What were the reactions of leading domestic companies? In liberalization, some may have lost long-vested privileges and some may have gained new business opportunities. Richard Robison points out in a recent paper[55] that there are divergent interests between the upstream producers of capital and intermediate goods and importers who have so far been protected and subsidized on the one hand, and downstream producers of consumer goods for both domestic and international markets who argue that expensive inputs have raised their costs of production and demand the right of purchase on the open market. Robison then concludes that the policy change in the mid-1980s was not an opportunity but a threat for private dominant capital, commenting that,

> "A change of policy therefore constitutes a direct threat to the underpinnings of the political-economic alliance that dominates Indonesia."

---

[55] Richard Robison, "Authoritarian States, Capital-Owning Classes, and the Politics of Newly Industrializing Countries: The Case of Indonesia," *World Politics* 41, 1 (1988): 67–71.

It cannot be denied that, as Robison emphasizes, there still exist some privileged capitalists patronized by the political power, in relation to, for instance, the import and production of some steel products and tin plates, export and transportation of oil and gas, and some big upstream and real estate projects. But it is important to note that the privileged have increasingly become a minority in the private business sector as a whole. The progress of the real state of affairs in the late 1980s demonstrated the inadequacy of Robison's dichotomy, where there are patronized upstream producers and unpatronized downstream producers, the former constituting dominant private capital. Political patronage was certainly of critical importance for the growth of private capital in the initial development. But it is not a unique phenomenon to Indonesia; it was not rare in other rapidly developing Asian economies. So the more important fact is that now-dominant private capitalists (even those who were developed by patronage) have outgrown the initial stage to become the main engine of the revitalization of the economy, regarding liberalization not as a threat but as an opportunity. The evidence for this is the recent prominent performance of business groups in every deregulated sector.

The following episode may well describe the behavior of business groups in the new environment.[56] At the end of 1987, the government announced the lifting of import restrictions on raw cotton by a state-owned trading company, permitting every spinning mill to import raw cotton directly at a fixed tariff rate. At the same time, the government abolished the quota for purchasing domestic raw cotton assigned in proportion to each mill's installed capacity. Those who reacted most quickly by totally rejecting the practice of purchasing domestic raw cotton were sixteen leading spinning mills, of which eleven belonged to business groups: two to the Damatex group, two to the Imora group, two to the Panin group, four to the Thio Liong Kiu group, and one to the Batik Keris group. These were the leading groups in the textile industry which possessed vertically integrated production processes, from import of raw materials to export of cloths and clothes. That is why they were more cost-conscious and quality-conscious of raw materials and final products, compared with simple spinning mills and weaving factories. It was such business groups which regarded liberalization as an opportunity to realize rational costs, competitive prices, and latitude of behavior.

C. The Age of the Second Diversification for Business Groups

In the new economic environment, business groups quickly went into action to take advantage of new business opportunities, apparently turning toward active diversification. This may be called the second diversification after the first one in the early 1970s. The prominent performance of business groups can be observed in three types of diversification: joint investment with foreign capital in new fields, new entry into export-oriented industries, and new entry into deregulated industries, especially banking.

Some business groups are now entering new business by using the recent surge of foreign direct investment. A good example is the Astra group. Astra was carrying out two foreign-joint investment plans in early 1989: one was a seasoning plant, monosodium glutamate (MSG) production in Pasuruan with the Samsung group from Korea, and the other was a pulp plant in Irian Jaya.[57] Common features of the two

---

[56] *Kompas*, January 20, 1988.

[57] *Editor*, January 28, 1989, p. 82, and *Tempo*, February 4, 1989, p. 87. For the pulp plant, the foreign partner, Scott Paper Co. of the USA, suddenly announced withdrawal from this project

projects are that, first, both are entirely new product lines for the machinery-based Astra; second, both are of quite a large scale (an MSG plant with US $60 million and a pulp plant with US $63 million) to the extent that participation of foreign capital is indispensable; and last, 85 to 95 percent of the products from both projects are to be exported. In the case of the Ometraco group, they decided to enter into manufacturing of electrical components, such as switchboard and miniature circuit breakers in cooperation with Merlin Gerin, an electrical multinational based in France.[58] For Ometraco, it was a new field, though the group has so far been a distributor of the Merlin Gerin products. The group leader, Ferry Teguh Santosa (Kan Son Tjiong) noted that he preferred joint investment to license production or technical assistance.

Export orientation gradually infiltrated into Indonesian business circles until export-oriented industries came to attract some very conservative business leaders. Among the clove cigarette business groups famous for their conservativeness, the group which first attempted to take a leap outside the cigarette industry was the Djarum group in Kudus.[59] By the middle of the 1980s, the group had entered into the manufacture of electrical appliances by PT Hartono Istana Electronics with Polytron brand, but it was domestic-oriented at that time. After that, the group set up two new companies, PT Busanarama for garments and PT Ratindo for rattan furniture, which was obviously stimulated by promising manufactured exports in these most downstream sectors. In early 1989, PT Hartono Istana Electronics started export of their Polytron brand color television sets to Europe. Such export-oriented industries as garments, rattan furniture, shrimp breeding, and rubber products are now good targets of diversification for leading business groups. Until quite recently, these industries had been the specialty of Taiwan and Korea; therefore in the new entry, Indonesian business leaders often look for joint investment or technical assistance from these countries.

The new entry rush has occurred also in the deregulated industries. The most conspicuous case is the banking industry. The second financial reform by the October 7 Package in 1988 (the so-called Pakto) has had a decisive impact on the fixed ownership structure in the Indonesian financial sector. The intention of the Pakto was to restructure and reinforce the financial base quantitatively as well as qualitatively, so as to support the future rise of non-oil exports. For this purpose, Pakto lifted the entry barrier to the banking industry by liberalizing the establishment of new private commercial banks and new joint banks with foreign leading banks, and by deregulating existing private/foreign banks, allowing them to open their branches outside Jakarta and elevate the status of banks (for instance, from a bank pasar to an ordinary bank, from a non-foreign exchange bank to a foreign-exchange bank). Pakto also eased market and business segmentation by permitting state-owned corporations to deposit in private commercial banks and by expanding the bounds of banks dealing in saving deposits and deposit certificates.

Pakto was highly welcomed by business leaders, especially those who had been isolated from the closed banking sector despite their keen interest. There were more than forty applicants for establishing new ordinary banks in this eight month

---

in October 1989, probably because of the fear of a boycott movement against Scott brand products by some international environmental organizations.

[58] *Editor*, February 4, 1989, p. 84.

[59] Ibid., February 11, 1989, p. 85, and February 18, 1989, p. 81.

period up to the middle of 1989. They included, among others, Hiskak Secakusuma from the construction and real-estate based Jaya group in preparation of their new Jayabank,[60] and Soejanto Gondokusumo from the Dharmala group's owner (the eldest son of Soehargo Gondokusumo) in preparation of Bank Dharmala.

Some business groups which already had or had just got a foothold in the banking industry went into action with full use of the liberalization. Bank International Indonesia owned by the Sinar Mas group since the early 1980s quickly upgraded its status to a foreign-exchange bank, then announced the setting up of the first joint bank with Fuji Bank from Japan. The Astra group had just succeeded in acquiring a commercial bank, in financial difficulties, the Bank Agung Asia directly before the announcement of Pakto. In reality, the Astra group had developed a financial service network under the name of the Summa group outside the country (West Germany, Manila, and Hong Kong) during this decade, because it was difficult for the group to enter into the domestic financial sector except through leasing. After the financial liberalization, the group reacted promptly. They upgraded the newly acquired bank to a foreign-exchange bank; changed its name to Summa Bank; and furthermore moved the headquarters of the Summa group's overseas network from West Germany (its operation was in Manila) to Jakarta. This was quite an opposite direction from that of another giant, the Liem Sioe Liong group, which seems to intend to make their active overseas business (the First Pacific group with its center in Hong Kong) more and more independent of domestic business. The top group of clove cigarettes, the Gudang Garam group, which had acquired a bank pasar, Bank Sumber Dana, in Surabaya a few years ago, also lost no time in upgrading the bank to an ordinary bank.[61] PT Gudang Garam, established in 1958 in Kediri, holding 39 percent of the clove cigarette market as of 1988,[62] was famous for its conservative management. In line with the philosophy of the founder, Surya Wonowidjojo (Tjoa Ing Hwie), Gudang Garam's business had been limited to closely related fields like paper and printing for cigarettes and its packing, even after its competitor, the Djarum group, began diversification into new business. However, after the founder died in 1985, at the initiative of a new leader, Rachman Halim (Tjoa To Hing), the eldest son of the founder, the strategy of the group seems to have somewhat changed into a more challenging one outside the cigarette industry. What has attracted Halim, other than banking, has been the deregulated tourism industry with a plan for two hotels and a recreation center.

D. The New Development of Inter-Business Group Relations

The preceding sections illustrated the recent progress of business groups as the main engine of economic revitalization, focusing on their behavior at the individual

---

[60] Ibid., January 28, 1989, pp. 82–83.

[61] The history of Gudang Garam group is Rhenald Kasali, *Studi Kasus P. T. Gudang Garam* (Jakarta: Lembaga Managemen, University of Indonesia, 1989). For the recent trends of this group, see "Sekarang Ia Menggeliat" and "Tak Segan-Segan Loncat Pagar," *Tempo*, February 11, 1989.

[62] The market share is an estimate based not on the quantity of production but on the sum of sales tax paid to the government in proportion to sales of each company; out of the total Rp. 1.05 trillion in 1988, Gudang Garam paid Rp. 408.3 billion (38.9 percent), Djarum paid Rp. 389.8 billion (37.1 percent), Bentoel paid Rp. 132.2 billion (12.6 percent), and Sampoerna paid Rp. 29 billion (2.8 percent). The big four held 91.4 percent in terms of sales tax. *Editor*, February 1989, p. 81.

group level. One of the remarkable features of the current business groups' behavior, however, is rapid development of inter-business group relations, which is also worthy of review. This section treats three dominant movements observed in the inter-business group relations: namely, competition, cooperation, and propagation.

Competition is a natural consequence of the free entry into export-oriented and deregulated industries as described above. Not only have newcomers been making an aggressive challenge but also the established have reacted actively. A good example was seen in the deregulated banking sector: a big hit of Tahapan in 1989, a new saving deposit with prize money, marketed by Bank Central Asia of the Liem Sioe Liong group and Lippo Bank of the Lippo group. This new financial commodity was also one of the products of Pakto, because private commercial banks were allowed to develop their own savings deposit commodities other than the usual Taska and Tabanas. The inventor of Tahapan was Mochtar Riady (Lee Mo Tie), the BCA's president director, concurrently the owner-manager of the Lippo group. His original idea was to forestall competitors by making full use of the scale merit of BCA (at the top ranking of the private commercial banks since 1979)'s rich funds and branch networks. But his strategy was more aggressive, so that he calculated the total prize money at as much as Rp. 500 million with no extra capital injection, other than the expected receipts from new saving depositors, and that he planned to build a dozen branches and sub-branches especially for the Tahapan with big banner advertising. The reality went beyond his expectations. In only two months after the Tahapan was offered for sale, new depositors reached 300,000 and the total sum of deposit money surpassed Rp. 200 billion. The success of Tahapan aroused competitiveness in banking circles. The fast-growing Bank International Indonesia quickly organized a consortium with seventeen banks to produce the same kind of counterattraction. Bank Bali and others offered respective different kinds of new commodities. This episode shows that even the established business groups came to recognize that the time had come when their entrepreneurship was being tested.

Cooperation between business groups is the second dominant movement. Business groups have come to be able to undertake big projects by cooperating and sharing risks. A recent example is Bumi Serpon Damai, a city development project in Serpon, thirty kilometres west of Jakarta, by the consortium of three business groups, namely the Jaya group, the Liem Sioe Liong group, and the Sinar Mas group.[63] Judging from past practice, the project is too large and longterm for private capital to undertake, with Rp. 3.2 trillion (around US $1.8 billion) in thirty years and 130,000 units of housing. Besides this project, it is reported that there are several satellite town development plans, private or sometimes semi-private, not only around Jakarta but also in Surabaya and Semarang.[64] For the development of Jakarta city, a foundation named Yayasan Promosi Pariwisata Jakarta was organized under the leadership of the Jakarta government, with thirteen Jakarta-based businessmen who are mostly owners of business groups such as the Liem Sioe Liong group, the Astra group, the Sarinah Jaya group, the Bakrie group, the Nugra Santana group, the Mercu Buana group, and so on.[65] Some may criticize this phenomenon as a realliance of the government and big business, but what is noteworthy

[63] *Editor*, January 21, 1989, pp. 8–18.

[64] Ibid., February 18, p. 79.

[65] Ibid., November 5, 1988.

is the fact that private capital has, if mutually cooperating, at last come to be able to bear a heavy load only the government could carry in the past. In the post-oil era when the government capability as a financier has increasingly diminished, the potential power of business groups should be effectively utilized for the country's national development, especially in those fields where only the big can carry on.

Propagation of new business groups also constitutes a recent trend. The favorable economic conditions are, in addition to revitalizing the established business groups, producing a crop of new ones. The newly emerged business groups can be roughly classified into three types. The first occurs when an almost unknown regional businessman rapidly forms a group of companies; most cases are based on export-oriented industries. The expansion of non-oil exports opened equal opportunity to non-established newcomers, so long as they offered price-competitive or quality-competitive products in the international market. There is evidence that in shrimp breeding, for instance, several middle-scale business groups have emerged in Surabaya and Semarang. This type can be called region-based, middle-sized, export-oriented groups.

The second type consists of a dozen business groups led by young *pribumi* businessmen, such as the Bukaka group led by Fadel Muhammad and the Kresna Duta group by Bambang Yoga Soegomo. Such new businessmen are sometimes the second generation of political/military leaders.

At the moment the third type is most prominent; sub-groups propagated by established groups. For example, there have been seven core shareholders in the Liem Sioe Liong group since the early 1970s, and three of these, Sudwikatmono, Henry Pribadi, and Ibrahim Risjad, are apparently all going to head their respective group of companies. Banking deregulation seems to have given an impetus to this tendency, because: first, the collaborator or co-shareholder of an existing business group can now easily set up his own bank; and second, when the established group already owns a bank, the setting up of sub-bank is effective to clear the legal lending limit imposed by the same Pakto, which is intended to limit the degree of internal finance within business groups. This seems to be true to the case of the Risjad Salim International Bank, a new bank set up by Ibrahim Risjad.

E. The Recent Conglomerate Controversy

It is now publicly admitted that the deregulations revitalized the national economy and that the revitalization is responsible for the recent outstanding performance of business groups. This performance has been so strong as to give rise to a heated controversy involving a wide range of groups, from politicians, economists, businessmen, to other various intellectuals. Not a few institutions prepared seminars and most major magazines carried special articles on this hot issue during a couple of months at the end of 1989.[66] The subject of the controversy was conglomerates or conglomeration, so this term is adopted here.

The contra-conglomerate side, on the one hand, consisting of assemblymen, some government/military officials, and social leaders from various backgrounds, charges that conglomeration first causes the welfare of the economy to deteriorate

---

[66] Major magazines carrying special articles on this issue include *Swasembada*, September 6, 1989, pp. 70–72; *Indonesian Commercial Newsletter*, October 23, pp. 1–10, and November 6, 1989, pp. 1–5; *Tempo*, October 28, 1989, pp. 80–84; and *Editor*, December 9, 1989, pp. 11–21.

by creating monopoly and oligopoly, controlling prices and the supply of goods and services, and harming the consumers' interest as a result; second, it also causes a deterioration in social welfare by oppressing development of small-scale businessmen; and third, it leads to economic control by a handful of people and harms social justice. In conclusion, they urge that, in order to restrict these negative impacts, a company act, such as an anti-trust or anti-monopoly law and a protection act for small-scale businessmen, should be enacted without delay.

On the other hand, the pro-conglomerate side consists of some economic ministers, technocrats, businessmen, and some editorialists. The essence of their argument is that conglomerates are able to contribute much to national economic development because of their positive economic attributes, such as efficiency, high productivity, scale merits, export competitiveness, and employment absorption ability.

Unfortunately, however, the argument is poorly grounded because it uses very limited facts and corroborative data, and there is apparent conceptual confusion. Therefore, by disentangling some of the confused concepts, I will attempt to clarify what contributions can be made by some of the findings of this paper.

My first point concerns the concept of conglomeration. Although the term, a conglomerate, seems to be used as a synonym for a business group in the controversy, a conglomerate as an economic term is originally defined as a highly diversified enterprising body covering quite different types of industries. According to this definition, no more than twenty out of the forty-seven largest groups I identified fall into the category of conglomerates. The point here is that the concept of conglomeration relates directly to the high degree of diversification.

The second problem is that concepts of conglomeration and monopoly/oligopoly get confused in the dispute, as if conglomeration directly caused, or was almost synonymous with monopoly or oligopoly. However, these are, in fact, totally different concepts. While conglomeration is a form of industrial organization, monopoly/oligopoly is a form of market structure in a certain product market. When there is only one seller/buyer in a certain product market, it is called seller/buyer monopoly, and when there are a few sellers/buyers, it is seller/buyer oligopoly. It is, of course, possible for an enterprising body to highly diversify its business into various industries and concurrently to oligopolize some of the industries, but it is rather rare. It is far more usual that an enterprise specializing in a certain industry gradually tends to oligopolize the industry, like, to take an Indonesian example, the clove cigarette industry. If one intends to bring the problem of monopoly/oligopoly forward, the argument should be based on precise data of seller concentration by each industry.

The third point is the fact that the evils of monopoly/oligopoly can be cleared away by the rise of competition, the initiative of which is now taken by business groups in Indonesia. One of a few studies on seller concentration in Indonesia revealed that high concentration was combined with protection.[67] This is because protection builds entry barriers and import barriers. But now in the process of deregulating these protective barriers, business groups reacted most quickly to take advantage of the market mechanism, as described in the preceding sections. This is evidence that Indonesian business groups have grown until they no longer need to claim protection, as they have come to pursue endogenous development rather than remaining dependent on exogenous factors. Consequently, besides the conceptual

[67] See "Concentration in Indonesian Manufacturing," p. 82.

distinction, the facts also demonstrate that business groups, whether conglomerates or not in the exact sense, are not the creators of monopolistic evils, so long as the government continues to remove the entry barriers and the import barriers. Or rather, competition among business groups can enhance economic welfare and benefit the consumers' interest.

The fourth point concerns the natural consequence of competition. As stated above, competition hinders the unfair trade and monopolistic conduct of any enterprises and benefits consumers. In the competitive world, however, the strong defeat the weak and uncompetitive. This is not an economic problem but a political problem regarding inequality and social injustice, which is always raised particularly in high-population developing countries like Indonesia. Maybe, the weak tend to remain weak if they are subject to competitive pressures, as is clearly shown by the history of small business in Japan or Taiwan. In this context, it is important to pay special attention to a vertical chain of production within some Indonesian business groups which involves fairly small companies.

Last, to conclude my comments on the conglomerate controversy, my analysis above shows that business groups in Indonesia have accumulated capital conspicuously in some industries during these two decades, but that the scale of their economic activities compared to the national economy does not yet seem to have reached a dangerous level. Consequently, what is crucial for present-day Indonesia is not to re-regulate the economic activities of business groups but to promote competition among them and effectively utilize their merits.

To conclude, recent new developments indicate that business groups have now come to be able to undertake large-scale long-term high-risk projects. In export promotion, they began to exhibit their superiority in efficiency, the scale of production, the degree of integration in production, and access to new technology, so that they could cut down costs to realize competitive prices and could adopt better means of production to improve their product quality. This capability and efficiency of business groups can benefit the socio-economy of Indonesia. Further, business groups started functioning as sources for the creation of a new class of business leaders and managers who have long collaborated or been employed and are now set on forming sub-groups under the existing groups. And as I pointed out, some groups now hold vertically integrated production systems within the groups. Combined with the discharger function of sub-groups, business groups can be an engine to generate new chains of production, which realize not only external expansion of production but also inward stimulative effects to create middle-class business leaders and middle-sized surrounding industries. In this way, effective mobilization of the potential power of business groups is of decisive importance in the future national development. If the Indonesian people regard business resources so far accumulated within business groups and their merits actualized at present as valuable property for the national economy, these resources should be wisely and effectively utilized in future development in Indonesia.